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USSR Report

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27 December 1985

USSR REPORT ECONOMIC AFFAIRS

CONTENTS

ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT	
Belousov Points Out Need To Restructure Economic Management	
(R. Belousov; KOMMUNIST VOORUZHENNYKH SIL, No 12,	
Jun 85)	1
INVESTMENT, PRICES, BUDGET AND FINANCE	
Use of Credit Mechanism as Management Tool Examined	
(V. Pavlov; PLANOVOYE KHOZYAYSTVO, No 8, Aug 85)	10
RESOURCE UTILIZATION AND SUPPLY	
Gosbank Encourages Materials Conservation	
(P. D. Subbotin; DENGI I KREDIT, No 8, Aug 85)	21
Resource Squandering Threatens Intensification	
(V. Yefimov; MATERIALNO-TEKHNICHESKOYE SNABZHENIYE,	
No 8, Aug 85)	34
Special Supply Problems Plague Eastern TPKs	
(L. Lebedeva; MATERIALNO-TECHNICHESKOYE SNABZHENIYE,	
No 8, Aug 85)	47

ECONOMIC FOLICY, ORGANIZATION AND MANAGEMENT

BELOUSOV POINTS OUT NEED TO RESTRUCTURE ECONOMIC MANAGEMENT

Moscow KOMMUNIST VOORUZHENNYKH SIL in Russian No 12, Jun 85 pp 9-16

[Article by R. Belousov, professor, doctor of economic sciences: "Improving Management of the Economy"]

[Text] On the threshold of its next congress our party is analyzing from every angle and conceptualizing the experience that has been gained, is exploring for effective ways of performing the large-scale tasks in economic development, is equipping itself with everything that is valuable and advanced and resolutely giving up everything that is outdated and stands in the way of successful advance. It is paying immense attention today to improvement of the management of the economy. It was emphasized at the April (1985) Plenum of the CPSU Central Committee: "Whatever question we take up, from whatever angle we approach the economy, in the final analysis everything points to the need for a substantial improvement of management, of the economic mechanism as a whole.... Immediate and vigorous measures are needed over the entire complex of management problems."

The high degree of scientific organization and of compatibility of all elements imparts integrity and effectiveness to the system for management of a socialist economy. By definition the system includes the following: management functions and methods; the set of management tools and instruments; the organizational structure; equipment for gathering, processing and storage of data; and management personnel, who make up the heart of the system. All these elements are interconnected.

The basic principles of management of the economy and of solving economic problems through the party, which were formulated by V. I. Lenin, have been verified in the practice of building socialism. These are the most important of them: elaborating and implementing a scientifically sound economic policy and strategy; the unity of the political effort and the economic effort; selection and training of personnel for the economy; party supervision over the activity of economic entities and over the management of enterprises; and development of the industry and creative initiative of the masses.

The party attributes great importance to enhancing the role of the workers-the direct participants in socialist production--in management. That role is

performed at two levels. On the one hand the workers figure as the object of management, while on the other, in displaying their attribute as comanagers of the means of production—they are an active element in the system of management. Every worker, regardless of the position he occupies, is required to act in the interests of the people, he is under its supervision. "Socially useful work and its results," states Article 14 of the USSR Constitution, "determine man's position in society." His real income also depends on how he works, how he conducts his economic activity, and how skillfully and responsively he handles the business of the state and the collective.

The party's intention to pursue the line of strengthening social equity in the distribution of material and nonmaterial goods and to wage the most resolute fight against all negative occurrences alien to the socialist way of life and to our communist ethics has encountered the full approval and support of the Soviet people. The party has also been consistently pursuing a course directed toward enhancement of every worker's social activity and responsibility and toward the broad and interested participation of work collectives not only in dealing with their own specific issues at the level of the enterprise, but also in solving the problems of the entire state and the region.

The system for management of the Soviet economy that is now in operation has imbibed the knowledge and experience of several generations of Soviet people. The test of time has proven its high reliability and effectiveness. Nevertheless, the extremely rapid pace of renewal of the productive forces, the improvement of production relations, and the growing social needs of the population—all of this has made it necessary to change the methods and forms of management which took shape long ago.

In the course of several 5-year periods now a rather complicated process has been taking place in the USSR whereby social production has been shifted over to the track of intensification, efficiency and quality. Our country has definite achievements to its credit in this area. The Soviet Union is maintaining its superiority over the advanced capitalist countries in economic growth rates. We have taken first place in the world with respect to the scale of capital construction, in 15 years having practically doubled the material prosperity and raised the standard of living of the people to a qualitatively higher level. At the same time there remain quite a few unsolved problems related to improvement of advanced socialism, and the party is taking an objective approach both to evaluating the present situation and also to elaborating economic tactics for the future.

The April (1985) Plenum of the CPSU Central Committee has emphasized with new force that the development of Soviet society will be determined to a decisive degree by qualitative shifts in the economy, specifically: by its shifting to the track of intensive growth, by the acceleration of scientific-technical progress, by the restructuring of management and planning, by conducting an effective structural [original reads "structure"] and investment policy, by improving the level of organization and discipline everywhere, and by improving the way we go about things.

The party is guided in solving these problems by Lenin's principle to the effect that in practical matters of the politics of every particular or specific moment it is important to be able to find the main link which one can seize onto and pull the entire chain of interrelated problems by concentrating one's efforts there. At the present stage the acceleration of scientific-technical progress, which is bound up as one with comprehensive improvement of the management system, figures as that kind of link. The scale and pace of further progress in the field of socialization of production and the rise of economic efficiency depend in large part on the results of those efforts.

The essence of the present restructuring of the management system lies in orienting the economic mechanism toward higher efficiency of social production. This means that in practical terms we have to gain control of the sources and factors of resource conservation in all stages of production and make them subject to a stronger impact from the system of management so as to speed up the process of the rise of production efficiency. This has vital importance to the development of our society in the present stage and to strengthening the security of the USSR and our allies.

The principal task of the system for management of the industrial sector at the present time is to augment the economic and social return from the immense scientific-technical, productive and resource potential. It is well known that it is one thing to build a plant and something else to bring it up to design capacity. That is why Soviet society needs a certain time to fully master its material capabilities and social advantages. It is natural that the system of management has to be revamped in order to perform these tasks. That kind of revamping presupposes a clear and synchronized solution to the following basic problems: developing and mastering methods and instruments for management of the economy which in many respects are new; creating an effective organizational structure that guarantees closer and at the same time flexible unification of production with science on the one hand and on the other with the needs (consumption) of the population and the economy; performance of large-scale measures aimed at further development of the self-management of work collectives -- at expansion of the independence of enterprises and enlargement of their responsibility for the final results of economic activity; and the conduct of a vigorous personnel policy.

In this connection two interrelated approaches to solving the problems which have come to a head have been rather clearly manifested in the Soviet Union: the first is to draft a long-range program for comprehensive restructuring of the entire system for planned management of the economy. Such a program envisages several major stages in the qualitative changes in the methods, forms and organization of management activity in the different stages. The second approach assumes practical accomplishment of the first stage of the comprehensive program in the 12th Five-Year Plan. It looks to improvement of important nodes and elements within the framework of the present management system.

In 1984 and 1985 a large-scale experiment has been conducted in the USSR in all-mion and republic industrial ministries, in construction, in agriculture, in trade and in the service sphere in order to see how the outlined innovations

are being carried out in practice and to give work collectives and also management personnel advance preparation for them. The economic experiment in industry has paramount importance here. The gist of it is to create more favorable conditions in the workplace for development of the social activity and initiative of work collectives, to heighten their material interest in a steady growth of the final results from fuller use of the advances of science and technology and other productive resources. It is also a question of changing the psychology of the workers, specialists and managers in the economy. The intention is to join together more closely the material interests of society, collectives and individual workers, to motivate enterprises to adopt strenuous plans and to seek out untapped potential for speeding up economic and social growth. That goal is to be achieved through further expansion of the independence of work collectives and by making them more responsible for the final results of joint labor.

Expansion of the independence of enterprises and associations under the conditions of the economic experiment has been manifested most vividly in the following key areas of their life: remuneration and material incentives; technical reconstruction and renewal of the productive plant in place; and the planning of production. Let us examine them in somewhat greater detail.

The most important economic sphere in which the independence of enterprises and associations is expanding is the sphere of distributive relations. At present neither the wage fund nor its average level is broken down to the work collective "from above." The enterprises themselves plan them for the long-term period. The reference point taken is the actual wage fund in the base year, that is, the year preceding the period being planned. The growth of the fund is made directly dependent on the rise of labor productivity. This functional relationship is set down in a specific norm (in the majority of ministries a 0.35-percent rise of the wage fund is envisaged for a 1-percent rise of labor productivity). In other words, if you want to earn more, think about how to raise labor productivity.

Of course, you would not say that this rate is too high. But there is at the enterprise yet another important source for increasing the earnings of workers and specialists—the saving on the wage fund. In this connection we would like to respond to the question that is put rather often by widely different audiences: "What happened to the Shchekino method? Has it been forgotten?" No, it has not been forgotten. The experiment was aimed at combining occupations and at making manpower available by organizing production more efficiently and by expanding the mechanization and automation of production processes. The total saving of the wage fund goes into the material incentive fund and is used for increasing supplements applied to the wage rates of highly skilled workers for occupational skill as well as to engineering and technical personnel and employees.

Another sphere of economic activity in which rights and real opportunities of enterprises have expanded substantially during the experiment is the technical reconstruction and modernization of productive capital at their disposition. The point is that the machines and processing equipment in place at many enterprises have worn out to a certain degree, especially in the industrial

regions shaped in the period of the first 5-year plans, during the war and in the first postwar years. Large outlays for their general overhaul prove not to be very effective as a rule. They need to be rebuilt along with improving the skills of personnel and solving the specific problems in social development of collectives. But reconstruction requires in turn financial resources, up-to-date machine tools, metal and other materials, as well as the capacity of construction organizations.

The situation is quite problematical in seeking out construction organizations capable of carrying out the intended reconstruction in practice. As is well known, the situation that takes shape locally is usually that the volume of planned capital investments exceeds the capability of construction organizations. In order to resolve these contradictions, a compromise solution has to be adopted; in many cases they set up "their own" construction organizations to carry out the reconstruction project, that is, they do it by the directlabor method. At a number of enterprises some of the work is done by specialized construction organizations and some with their own people. The experience of people in the Ukrainian food manufacturing industry, the weavers in Ivanovo, and the constructive experience in Sverdlov Oblast, where during the last three 5-year periods practically the entire growth of industrial output has been obtained from reconstruction, indicate that the direct labor method is justified when it is efficiently organized and effectively supervised and in every case where the capacity of specialized construction organizations is clearly limited.

Having granted work collectives considerable freedom in working out and solving specific matters related to technical reconstruction of production, remuneration and the carrying out of social programs, the system of management involved in the experiment envisages broader independence of associations (enterprises) in the field of planning. The set of planning instruments undergoes a change in the context of the experiment: indicators of the performance of deliveries according to contracts, the growth of profit (reduction of production cost) and the rise of labor productivity move into the foreground.

In any economic system independence must be combined with an equal degree of responsibility. It is natural, then, that the expanded independence of associations and enterprises is accompanied in the economic experiment by enhancement of real responsibility for the final results of their economic activity, that is, use of all the productive resources placed at the disposition of work collectives in a manner that is efficient from the standpoint of the national economy. One of the innovations in this area is a sharp increase in responsibility for deliveries according to contracts. Meeting the requirements of the client is the principal form of the final result for the enterprise. If the volume of deliveries under contract falls short by I percent, the material incentive fund is reduced by 3 percent, and if all contracts are performed, it is increased by 15 percent. Of course, it is no simple matter to see that all consumers are completely satisfied, but the incentive is also high--for all practical purposes when the move is made from 99 percent to 100 percent in fulfillment of contracts the material incentive fund immediately increases by i8 percent.

Profit, which incorporates the growth of the volume of production, the reduction of production cost and the improvement of product quality, figures as the summary monetary form of the final result of cost-accounting (khozraschet) activity at the level of the association (enterprise). It is logical, then, that the experiment should envisage increased responsibility on the part of work collectives for achieving the enterprise's net income: a standard rate is fixed for the distribution of profit between the state budget and the enterprise (association). The development fund, the material incentive fund, and the fund for social welfare and cultural programs are formed from the portion of met income left at the disposition of the work collective. All of this motivates the collective to strengthen its economy regime and thrift, to make more extensive use of advance know-how and technical innovation, and to improve the characteristics of the product they produce from the consumer's standpoint.

The economic experiment now represents the everyday practice of industrial workers now numbering in the many millions. On the whole it has been carried out fairly well. Additional potential for the growth of production has been activated. To be specific, this is indicated by the figures of the USSR Central Statistical Administration on the results of development of industry over the period of time since the experiment began. The enterprises of the ministries operating under the new economic conditions have achieved the entire growth of the volume of production by raising labor productivity. All republic ministries have performed deliveries in accordance with contract. Performance of this indicator has also improved in the union ministries. Profit has increased. Analytical activity has been invigorated and collectives have paid greater attention to the economic aspect of production. The conditions of the competition have begun to be linked more closely to a thrift regime. Many enterprises have made some of their production personnel available for work in other sections.

At the same time, the experiment has revealed shortcomings in the organization of its preparation and the imperfectness of certain elements of the new system of economic activity, especially the inadequate stimulation of putting new products into production, of improving the quality of the means of production produced, of conservation of physical resources, and of expanding deliveries for export. That is why a number of adjustments were made in the conditions of the experiment as of 1 January 1985. For instance, corrections were made that stimulate improvement of the quality of products produced: a system of special supplements and reductions applied to wholesale prices as a function of their utility was introduced; up to 50 percent of the saving on material resources is credited to the fund for social welfare and cultural programs and housing construction; a portion of the foreign exchange proceeds resulting from expanded exports is placed at the disposition of the enterprise, and so on.

As of the beginning of 1986 all or almost all industry will switch over to the new economic conditions. An intensive effort is now being made at enterprises to work out the draft plan of the new 5-year period--the 5-year period of a sharp rise in production efficiency, achieved above all through large-scale application of advances of science and technology and improved organization of

collective work. The improved economic mechanism must operate at full capacity. A 5-year period offers a real opportunity for making large-scale structural shifts, above all through technical reconstruction of enterprises, by updating the assortment of products produced, by improving the qualifications of workers, and by improving their housing conditions and consumer services.

Thus the first results of the large-scale experiment and its immediate prospects are encouraging. However, as was noted at the April (1985) Plenum of the party's Central Committee, we have now reached that frontier where we need to move on from the experiment to building an integral system for economic activity and management. And that means that we have to begin the practical revamping of the operation even of the upper echelons of management of the economy and oriented above all toward solving upcoming socioeconomic and scientific-technical problems and seeking out the most effective forms of joining science to production.

Higher requirements are also being placed on planning, which is at the center of management. It is called upon to become an active instrument for intensification of production and for implementing progressive economic solutions and to guarantee a balanced and dynamic growth of the economy. At the same time the plans of associations and enterprises are to be relieved of the burden of the abundance of indicators, economic standards are to be applied more widely so as to open up space for initiative and socialist enterprise.

The party is adopting a resolute course toward improving the organizational structures of management, toward eliminating superfluous units, toward simplifying the apparatus and toward increasing its effectiveness. Great attention is being paid to bringing the principles of cost accounting to all work collectives, to increasing the activity of the workers and also the responsible republic and local authorities in management of the building of the economy and the building of facilities for social welfare and cultural purposes.

Management personnel are in the lead in the creative search for untapped potential, in critical analysis of customary work methods and in changing people's economic thinking and to a certain degree their social psychology. The smooth and effective operation of the entire system of management and that means of work collectives as well depends in large part on them. It is through personnel policy that the party exerts its principal influence on the economy, requiring that managers in the economy, above all those in the top positions, display the highest party spirit, competence and responsibility and know how to work with people.

Our society's entry into the stage of advanced socialism, the need for its improvement in every respect and the need to achieve a very rapid rise in production efficiency, and the profound socioeconomic changes in society—all of this has made structural shifts necessary in both the content of management and in the way management personnel go about their work. What we are essentially talking about is forming a new generation of managers in the economy.

The essence of an up-to-date style on the part of a manager in the economy is not only making maximum use of the achievements of science and technology and advanced know-how, but also making fuller use of the immense and still not fully exposed creative potential of work collectives, to rely more boldly on social factors and sources of the rise of production efficiency and to master the new methods of managing them.

At the present time it is not uncommon to hear that higher requirements are being placed on the manager. It would seem that in our country they have always been rather high. The point lies elsewhere: in the new situation there have been changes in shades of emphasis in those requirements, and here we can take note of the following essential points.

First, every manager is expected to be a strategist in his own field, that is, not to get all caught up in "current affairs," but to see the future, to pay more attention to the major issues and to qualitative structural changes. This is related both to the greater role of scientific-technical progress and also to the need to solve ever more important socioeconomic problems. At some enterprises those strategic matters would include reconstruction, retooling, while at others organizing the production of a new product, and at still others solving an interrelated set of social questions or improving cost accounting.

The modern manager must have an inherent feel for the new, must be ready to take on responsibility for supporting the first sprouts of the future when he still does not have full information about the successful outcome of the effort. Here it is not enough to commend a worthwhile initiative and to praise initiators; practical aid is needed to restructure the usual course of affairs. What are needed here are the persistence and passion of the communist, the ability to overcome resistance, which at times can be rather strong, of those who favor the existing forms and methods of work, which until recently had results which were not bad, but today are now out-of-date. That is why management personnel must have a clear idea of the basic directions and stages of development of production and of the collective over at least the next 5 or 10 years and have a good knowledge of their own role in that process.

Second, the modern manager is called upon to be an analyst, a thinking man. An ever greater share of his worktime must be taken up studying the various factors in increasing the effective use of productive resources and in the social return from new technology and processes, as well as the impact on development of the worker's personality.

Third, the modern manager has a duty to take into account the social factors of economic growth and to win people's confidence and know their needs, requests and achitions.

Direct contact, the manager's organic ties to the masses, to the collective, have immense importance. At the Minsk Tractor Plant, for example, the director of the enterprise regularly meets the workers and engineering and technical personnel together with representatives of the party and trade union

organization. He informs them about progress in fulfilling planning targets and about the prospects for development, he tells about difficulties and unsolved problems, and he reports what has been done since the date of the last meeting and consults on particular matters. The workers in turn express their opinions, requests and constructive proposals for improving operation, they pinpoint causes and not uncommonly even individuals who are standing in the way of the normal production process, and they point out opportunities and potential which have not been taken advantage of. Meetings like this have become one of the active forms of participation of the workers in the management of production, since if at first personal matters and matters of everyday like predominate at these meetings, production problems later begin to take over. In recent years this experiment has become widespread at other enterprises in Belorussia.

Concern about the workingman, about his material prosperity and rest and recreation have always been a key issue in party policy. That is why measures being undertaken by the party and government in the domain of improving the country's economy and its management are ultimately aimed at a single goal—increasing the prosperity and raising the cultural standard of living of the Soviet people.

The documents of the April (1985) Plenum of the party's Central Committee have outlined the efforts in the future and the specific tasks of the present day. They define the main directions of the preparation for the 27th CPSU Congress and in the life of all the Soviet people. The party and government have always solved the state problems of the entire nation by relying on the creative energy of the people, on its enthusiasm in its work and on its high political consciousness. These factors also determine the content of the draft of the Basic Directions for the Economic and Social Development of the USSR in the 12th Five-Year Period and up to the Year 2000, the work on which is now coming to an end. Although it covers a lengthy period, the new 5-year period must become a watershed in all respects.

The qualitative revamping of the management system which is beginning, while by and large maintaining continuity in the fundamental foundations of the purposive impact on the participants in socialist production, is introducing a number of important new factors in management relations, above all in the dismain of the future development of self-management of work collectives and the strengthening of democratic centralism. All of this serves as an important prerequisite for increasing the economic and defensive might of our homeland.

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INVESTMENT, PRICES, BUDGET AND FINANCE

USE OF CREDIT MECHANISM AS MANAGEMENT TOOL EXAMINED

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 8, Aug 85 pp 70-79

[Article by V. Pavlov, doctor of economic sciences: "Finance-Credit Mechanism in the System of Economic Management"]

[Text] The achieved level of development of the country's production forces and the scope and complexity of the future tasks facing the economy require the improved organization of economic relations. As the April (1985) Plenum of the CPSU Central Committee pointed out, the forms and methods of managing these economic relations must be restructured and directed toward facilitating in every way possible the implementation of qualitative shifts in the economy, its transition to the path of intensive development on the basis of renewing production, its elevation to a new technical level and achievement of the highest world level of labor productivity, and a strengthening of the conditions of economy and thrift. An important place in this work must be given to questions of the monetary and finance-credit mechanism.

The system of functioning of money, finances and credit in socialist society (due to public ownership of the means of production and the planned character of production relations) is called upon first of all to ensure the achievement of goals outlined by the plans for economic and social development in the shortest possible times and with minimal expenditures per unit of useful effect. The result of the functioning of this system must be such a distribution and redistribution of the monetary means and financial-credit resources which would ensure the distribution and redistribution of the social product and national income which they mediate in accordance with the goals, ends and priorities defined in the plan. It would create advantages in social and personal consumption for collectives and workers attaining the best national economic end results while limiting these advantages for those who reduce the rates of development and effectiveness. At the same time, of course, the result must be obtained with minimal expenditures for servicing the system itself. Since under socialism the product of production finds social recognition not through a spontaneously operating market mechanism, but through correspondence with the plan assignments in terms of quantity, quality and cost, this predetermines the need for constantly improving financial-credit planning with consideration for the requirements of a dynamically developing economy and changes in the organization of planning along other directions of activity.

Adherance to this position is one of the main conditions for the effective application of finances and credit. It makes it possible to ensure balance

and proportionality in the plan sections in the course of its development and execution on the basis of clarification of the means and methods for increasing the effectiveness of functioning of the economy, the efficiency of the utilized system of stimulation, and the responsibility for the adopted decisions and fulfillment of plan assignments under conditions of cost accounting as the leading method in socialist economic management, as well as the organization of effective control of the ruble at all stages of production and marketing.

In examining the existing finance-credit mechanism from the standpoint of effectiveness in solving these key problems, we must conclude that the potential possibilities contained in it are far from fully realized. Despite the fact that quite a few changes have been introduced into the finance-credit mechanism in past years, its effect on production has not been significantly intensified. At the same time, the volume of expenditures for servicing the mechanism itself has sharply increased due to the most rapid growth of computing and reporting-accounting work and monetary turnover as compared with the growth of material production. Centralized efforts in the management of the finance-credit mechanism, in our opinion, has become notably weakened and is becoming a petty trusteeship and unnecessary regimentation.

The primary reason for reduction in the effectiveness of functioning of the finance-credit mechanism as a component element of the overall system of economic management is that, as noted at the April (1985) Plenum of the CPSU Central Committee, timely evaluation was not performed on the changes in objective conditions of production development and persistence was not shown in the development and implementation of measures in this sphere.

The development of the country's national economy has presented planning with the tasks of expanding the temporal aspect of the plan, strengthening the combination of its sectorial and territorial aspects, increasing the qualitative level and substantiation of the plan indicators and the balance of various sections of the plan, and intensifying the mobilizing and coordinating role of the plan in intensification of the economy.

Let us examine the state of affairs in finance-credit planning at the current stage from the standpoint of solving these problems. The country's consolidated financial plan, the population's balance of monetary income and expenditures, and the payment balance (worked out in the plan for economic and social development) encompass all the plan periods with a varying degree of aggregation (i.e., a year, the five-year plan and a more long-term period), the finance-credit relations between the state, the cooperative-kolkhoz sector and the population, as well as the relations between the finance and credit system. However, these balances merely reflect, but do not regulate the finance-credit relations. In the territorial cross-section they are not detailed, as a rule, down to the level of the union republic, and only the profit and indicators of its distribution (through standards) by ministries participating in the broad scale economic experiment are transformed into specific target plan tasks.

The state budget (the country's basic financial plan) and the plans for long-term bank crediting are developed and approved for the year with quarterly distribution, while the plans for short-term crediting are developed for the quarter with distribution by month. The credit plans contain (as a form of

regulation) the limits for application of credit resources by sectors and territories, but do not contain any assignments for their mobilization and do not establish any ties or dependence in the territorial or sectorial cross-section for the scope of application of the resources from their development. The mutual connection and dependence of the formation and application of finance and credit resources is given only at the level of the national economy as a whole.

With the unity of the material-objective base of monetary turnover and the economic nature of financial resources and resources for long-term crediting, there are (created as a result of the gap in stages of formation and application) real conditions for erosion of the economic boundaries of finances and credit, and the appearance of an ever-increasing amount of "light" money, leading to overfilling the channels of monetary exchange with means of payment. This is becoming characteristic for all levels of planning. Short-term credits are not limited by resources, and the very act of issuing a loan, which is accompanied by crediting the money to the account of the borrower, on the surface seems to beget a "credit" resource. Money gives rise to money. Therefore, bringing in short-term credits to cover losses and expenditures of a long-term character is discovered after the fact, and their prolongation is the most simple, painless and attractive means, which takes on the appearance of helping the development of the economy.

The connection of these processes with cash money turnover and with the buying capacity of the ruble is veiled and separated in time and space. The issuance of new, as well as the prolongation of previously issued and unrepaid credits is not accompanied by requirements and responsibilities for the additional output and sale of consumer goods, provision of paid services, or economy of funds for labor wages. Moreover, the credit system itself turns out to be interested in significant measure in the additional issuance and prolongation of credits, since this makes it possible to reduce the indebtedness on past-due loans and accounts which have not been closed within the established periods, according to which the activity of the bank institutions is evaluated. It is therefore no accident that the increase in short-term credit investments constantly outstrips the growth in the gross social product.

The budget funds occupy an important place in credit resources. The absence of a direct coordination in its application in all segments with the realization of credit and cash plans also has a negative effect on the effectiveness of the finance-credit mechanism. Often there are cases where overfulfillment of income and additional expenditures on one budget or another are implemented with the accompanying outstripping growth of credit investments and need for above-plan supplements of cash monetary resources for settling accounts with the population on labor wages, pensions, stipends and similar payments on the given territory. For example, in the first quarter of the current year this situation arose in the Ukrainian, Moldavian, Georgian, and Azerbaijan Union Republics and many oblasts of the Russian Federation.

The transition to establishing mutual relations between the state and enterprises and organizations in the production sphere on the basis of five-year financial planning and the introduction of a single finance-credit plan of the economic management organ are objectively ripe for introduction. The central question in solving this problem is the establishment of guaranteed amounts and the standardization of mutual relations with the budget for cost accounting enterprises and organizations for the five-year period as a minimum. This requires the finance and banking system to change over from the preparation of proposals and observations to direct participation in the development of five-year plans for economic and social development. Naturally, the organization of developing the budget and credit plans must be changed, and significant corrections must be introduced into the very contents of the work.

On the whole, the essence of the problem is to change over to the development of the budget on the basis of long-term norms and standards. (At the present time they are approved separately for each type and subtype of income and expenditures for every specific economic management organ for the year in relation to the amount of profit or the absolute sum of income and expenditures). To solve this problem it is necessary to perform considerable work on creating three or four consolidated expenditure norms instead of the hundred-odd statutes on expenditures. Moreover, in our opinion, the enterprise should be given the right to form; a consolidated unified fund for the development of production, which encompasses all the expenditures on the preparation and assimilation of new types of production, expansion of output, improvement of product quality, economy of expenditures and reproduction of fixed production funds and reserves at a corresponding technical level; a social development fund which provides for the construction, repair and maintenance of social-cultural-domestic facilities, for the improvement of labor and recreation conditions of collective members and their families, and also for the solution of other social problems; a unified fund for repair work, encompassing all types of repair; a unified material incentive fund. The amounts of these funds must be tied in with the production volume or with the growth in labor productivity and reduction (savings) of expenditures. The distribution of capital in different directions and by types of expenditures must be the concern of the enterprise itself and its collective. This, on the one hand, expands the independence and maneuver of the primary economic management section, and on the other hand intensifies the aim of all the activity and stimuli toward the end result--to do more, better, and with fewer expenditures.

The fulfillment of the tasks which have been set will be facilitated by stepping up the centralized efforts in managing enterprises through the finance-credit mechanism by means of providing advantages for smoothly operating enterprises. For this purpose, under conditions of establishing wholesale prices based on average sectorial expenditures, it is necessary first of all to smooth out the differences in the cost accounting levels of profitability which are determined by the different (due to centralized state capital investments) technical base provision, specialization, nomenclature and other objective factors. Such instruments, in our opinion, must be payment for funds and fixed payments. At the same time, however, it is necessary to restructure the mechanism of their computation and collection. Instead of a single percentage rate of the initial cost of the funds or a fixed rate from a unit of production, it is necessary to develop and introduce into operation a sectorial scale of these payments which is differentiated depending on the level of profitability. It is also expedient to establish discounts or mark-ups to the sum of payment

for deviation from the standard ratio of growth in reserves of commoditymaterial goods, except for seasonal ones, as compared with the growth in production.

It is necessary to reject the practice by which losses and other types of expenditures for planned loss and low profitability enterprises are covered through the profits and other income from planned profit enterprises. Planned loss of the erprises in profitable sectors testifies to large reserves of living the reified labor, which may be mobilized in these sectors of social production by means of increasing the technical-economic level of its organization, at least to the average sectorial level. The relative share of these enterprises fluctuates from 1 percent in the medical industry to 40 percent in the coal industry. Thus, over 17 percent of the automobile transport enterprises operate at a loss, as well as one-fifth of the sovkhozes and a considerable number of subsidiary construction-installation organizations. The overall sum of losses exceeded 8 billion rubles according to 1983 data.

The mobilization of these reserves, bringing about order and eliminating unprofitability must become the targets of first-rate, steadfast attention and specific practical measures not only by the ministries, but also the finance-credit system. For this purpose, the objectively specified losses and plan expenditures of planned-loss and low profitability enterprises should be covered by state subsidies which are granted according to the gradually descending norms established by the ministry and finance organ for the volumes of production and improved quality. The basis for determining the amount of the subsidies must be the specific measures for improving the operation of these enterprises worked out and ratified by the ministry within the limits of agreed-upon times and based on the sectorial standards of effectiveness.

The role of the ministry in organizing the management of the sector's finances is represented differently. Instead of the constant redistribution of the funds of successfully operating enterprises to cover the expenditures and difficulties of those which fall behind, the ministry must give primary attention to the scientifically substantiated standardization of finances and their application for accelerating the solution of sectorial and intersectorial problems. For this purpose, it is expedient to form the appropriate funds at the ministry level: funds for the development of the sector, for material stimulation, for social development, and a reserve fund. These should be formulated not by means of simple deduction (centralization) of part of the enterprise's funds, but by special norms and standards which would define the ministry's participation in the primary distribution of income from all subordinate enterprises in sequence after the budget and the bank.

The utilization of the indicated funds should not take the form of correcting plan assignments of subordinate enterprises, as is practiced today. The ministry should use these funds to directly pay the additional expenditures and losses of enterprises which are conditioned by their fulfillment of ministry directives. It should render temporary aid on a returnable basis in the form of replentishing the appropriate funds of enterprises. It should finance the implementation of sectorial projects, guarantee responsibilities to the budget and the bank, etc. The source of financing for new construction and major

reconstruction having decisive national economic or sectorial significance (as, for example, the diesel changeover of truck transport on the basis of reconstruction of the ZIL [Moscow Automobile Plant imeni I. A. Lenin] and the Gorky Auto Plant) must be the state budget or long-term credits, i.e., all-state centralized monetary funds.

The practical application of these three most important changes in the organization of finances for sectors of the national economy and their interrelations with the budget would create the necessary conditions for the application of standards for the distribution of accounting profits between the budget and the economy, the transition to formation of funds from the accounting profits, and as a result of a significant strengthening in economic cost accounting, the intensification of centralized management through activization in the application of the finance-credit mechanism. Interrelations with the budget, with the banks, and with the superior organization under these conditions directly express the interests of the collective of the enterprise, sector and society as a whole. They take on quantitative and qualitative commensurability and solid normative principles of mutual regulation on the basis of all-state priorities.

The restructuring in the organization of enterprise and sectorial finances requires significant changes in the principles of functioning of the entire budget system, and primarily such basic questions as budget rights, securement of income, and budget regulation. Standing behind this is the objective need for extending practical measures on expending independence and increasing the responsibility and interest on the part of the union and autonomous republics and local Soviets of People's Deputies in combining their rights with the tasks of strengthening plan unity, centralized management and Leninist national policy. It is clear that cost accounting, rights and responsibilities of enterprises cannot be distinguished depending on the budget to which certain types of payments must be made in accordance with the budget legislation—to the union, republic or local.

The main principle of unity of the budget system is realized in practice through deductions of income allocated from a higher budget according to quotas fixed in the budget laws and directed toward a lower budget for funds forthcoming on a given territory. This quota is determined by the amounts of shortages in the income allocated for the lower budget and by the need to combine the interests of the higher and lower budgets in increasing and obtaining on time the regulating income, i.e., the income from which a portion is handed over according to the yearly norm from the higher budget to the lower. If we consider the fact that the deductions from regulating income of the union budget take up around a half of the overall volume of income for the union republic budgets, it becomes clear that throughout the enterprises and organizations of republic, and especially local and referring whose budgets the deductions from regulating income play an even greater role, it is impossible to ensure stability of the standards for distribution of profits, fund deductions or subsidies without extending this principle to the quotas for distribution of regulating income. In practice this is only possible with the condition of a principal change in the adopted practice of regulating budgets by means of introduction of a combination of deductions with wide-scale subventions (participation in expenditures) for the development of individual territories and

implementation of major target programs. For this purpose, it is necessary to thoroughly rework the necessary legislative changes in the budget rights of the union, autonomous republic and local Soviets of People's Deputies, the income base, and the content and sphere of application of the order for working out budgets on the basis of control figures.

Expanded independence and the increase in interest and responsibility of the economic management organs and the local Soviets of People's Deputies place the question of the need for increasing the stimulating role of the tax on turnover more acutely as the order of the day. Cost accounting relations between the enterprise and the state under current conditions are generally based on the distribution of profits. The turnover tax as centralized net income of the state is practically not an object in cost accounting relations. Using part of the turnover tax (less than 0.5 percent of the payments) to pay off credit for the expansion of consumer goods output when there is a shortage of other sources is sooner the exception than the rule.

The turnover tax is contained in the prices on goods having a high total national economic profitability. At the same time, in practical application, when the main part (almost 90 percent) of the turnover tax is collected in the form of the difference between industrial wholesale prices and enterprise prices, this does not always indicate a high level of cost accounting profitability. There are often cases where goods levied with a turnover tax and highly profitable for the economy as a whole were unprofitable for individual producers. If, however, we consider their profitability on the basis of total net income in the form of turnover tax and profit (loss), then it will be higher than for other goods manufactured by the given enterprise which are not subject to taxation. This, naturally, inhibits (with all other conditions being equal) the expansion of production of goods which are highly profitable for the economy and on this basis also the total national economic profitability and savings. We believe the time is right for the creation of a system of direct cost accounting interestedness and responsibility on the part of the enterprises for increasing turnover tax proceeds by means of establishing a dependence between the amounts of funds left to their direction on the growth in turnover tax through mark-ups, discounts, direct deductions, etc.

The turnover tax should play a significantly more active role in the system of economic incentives of local Soviets of People's Deputies in expanding the output of consumer goods with the application of local capacities. At the same time, today a large part of the turnover tax goes to the budget income through the wholesale sector at the place of sale of the corresponding production. Wherever there are no turnover tax proceeds on the territory of a specific Soviet but there is a need for deductions from income of a higher budget, the latter are performed depending on the volume of goods turnover. This is justified from an economic standpoint, since the income of revenue is brought maximally closer to the moment of final sale of the goods. At the same time, it also contains a serious contradiction, since the advantage is gained by the seller, and not by the producer of the goods. It is more profitable to ask for allocations of commodity funds rather than to engage in the organization of their production.

Considering the current nature and complexity of the task of saturating the market with high quality, high demand consumer goods, as well as the great possibilities and the large role which the local Soviets of People's Deputies must play in the solution of this problem, we believe it correct and timely to levy a turnover tax on goods produced by enterprises and organizations of local subordination secured by income of local budgets, as well as to introduce the practice of collecting this tax at the place of production, and generally in percentage rates. This will be a constant and powerful stimulus and a major financial source, as well as an economic base for the development and expansion of production of consumer goods on site, ensuring the profitability of this production and a constant correspondence of the structure, assortment and quality of goods to the demands of the population.

A most important problem in improving credit planning at the current stage is the organization of planning credit resources in the territorial cross-section to the republic and oblast level and the development of a direct dependence on this basis between the amounts of credits issued and the fulfillment of assignments on mobilization of credit resources. This would be done with issuance of rights to republic, kray, and oblast bank institutions on the utilization and maneuvering of resources by sectors and directions within the limits of the mobilized funds, and would increase their responsibility for mobilization of the resources and effectiveness of credit investments. At the same time, we should legislatively prohibit the use of additional monetary payments for credit purposes as the need arises in the course of ratification and execution of the quarterly credit plans.

At the present time, neither the sectorial nor the territorial management organs. nor their finance-credit organs, bear any responsibility or have any economic interest in the creation, mobilization and economic application of credit resources. The primary task and essence of their participation in credit planning is reduced to obtaining the maximally possible credit limits for various purposes. The interests of all are unified here, since, without having to answer for the sources, they may view credits as a form of above-plan capital investments or as a means of covering possible shortages in financial assets in case of plan underfulfillment. As a result, even repayment of previously obtained credit within the established time limits is economically inexpedient for the financial organ at the site of the enterprise or for the appropriate local budget (to which payments must be made from the profits or profit de-The reason for this is that in this case the overall sum of plan or above-plan payments from the profits is reduced by the sum of the credit payment, the plan fulfillment for collection of income by the given financial organ is reduced, and consequently the incentives of the workers are reduced, as well as the direct proceeds to the local or republic budget. The economic management organ is also interested in using funds intended for repayment of credits for as long as possible in its turnover and under non-repayable conditions. We may cite numerous examples of applications for deadline extensions on repayment or write-off of issued credits, but there are no cases of a ministry, department, republic, or enterprise offering to repay a loan ahead of schedule. Refinancing one type of indebtedness by means of crediting other needs and expenditures in short-term crediting has become the generally accepted practice.

The introduction of planning credit resources by territory with their clear delineation into short- and long-term crediting resources is that practical

basis on which we can establish real economic interestedness and responsibility of the union republics and local Soviets of People's Deputies, as well as the economic management organs, in increasing the effectiveness of credit resource application. The conditions for issuance of new credits to an economic management organ may be the establishment of a dependence between their amounts and the input into the resources and timely repayment.

In order to increase the role of the local organs and expand their rights and responsibility for using finance-credit resources in their mutual connection and dependence, it is necessary to significantly review the order and organization of short-term crediting. A many-year practice has arisen in our economy of crediting economic management organs for different types of expenditures and needs: for reserves of raw goods, materials, finished products, shipped goods, unpaid accounts, wages paid, payment of supplier accounts, etc. Each of these types of credit may in principle be issued without dependence on another, which often is the case. At the same time, as the real credit repayment (based on the economic essence) is ensured by the production and sale of products under the condition of its profitability, credit for the creation of reserves is returned at the expense of credit for unfinished production. This, in turn, is repaid at the expense of credit for finished production, shipped but unpaid goods, etc. As if these types of credit were not enough, various types of accounting credits also come into action. The end result -the expansion of production and the reduction of its expenditures -- is practically lost, and conditions are created in which the enterprises, regardless of their level of economic management, can almost automatically their need for additional resources which is caused by disruptions of the normal capital turnover, by means of credit.

Clearly, the transition from crediting reserves and expenditures as elements of production to crediting the total need for increasing the volumes of product output and increasing product quality and accumulations growth is taking on current importance. This would fully correspond to the expansion of rights and increased responsibilities of the enterprises themselves for the end result. I would especially like to note the need which has arisen, in our opinion, for limiting the sphere of application and reduction in the volume of accounting credits. Their growth in scope, which exceeds the growth in production by 1.5-2 times, testifies to the fact that credit resources are being dragged into paying for mismanagement, while the bank becomes to a certain degree the buyer of products which are not in demand.

Crediting wage payments requires close critical attention. Under current conditions, the wage fund of state enterprises and organizations contains by its composition not only the wages themselves, but also a significant part of the funds for bonus and other payments. In industry, for example, the wage fund comprises only around 75 percent of the overall salary fund, and in individual sectors—even less than 60 percent. Thus, the bank, in crediting above—norm expenditures for unfinished production and for reserves of finished products, in issuing accounting credits in the absence of funds for payment of wages and for other purposes, is thereby crediting the payment of premiums. Yet the payment of premiums (bonuses) by its very nature must be aimed at the end result, and not at the intermediate one. At the same time, above—plan unfinished production and reserves are as a rule evidence of the fact that there is no end result yet, nor can there be. Therefore, it is expedient to stop crediting the payment of funds for premiums regardless of the source

from which they are paid out. In the absence of funds in the accounts of the economic management organs, a loan should be given only for the labor wage fund of the workers and engineering-technical employees (i.e., without premiums, mark-ups or bonus payments).

The question of crediting wages in agriculture occupies a special position. In issuing credit to the kolkhozes, the bank is guided by the farm's technicalindustrial financial plan, which in most cases provides for the achievement of high technical-economic indicators. It is for these that the funds for labor wages are issued. At the end of the year it turns out that for one reason or another the planned results were not achieved, the funds for labor wages have been used, and there is no source for repayment of the credits. At the same time, it is necessary to prepare for the winter, for the new sowing campaign, and to perform other work. The kolkhozes are given an extension on repayment of the borrowed funds, new credits are issued which again provide for growth in effectiveness and accordingly in labor wages already on a new and higher base. Often these credits are later added on to the overdue ones, accumulate, and ultimately are written off. Consequently, the mechanism of bank credit has thereby become a direct source of increasing labor wages in farms which lag behind. These increases are at state expense and have no connection with any real improvement in their operation. It is no accident that at farms which are lagging behind the labor wages are by far not always lower than at leading farms (and sometimes they are even higher). We believe that the creation of RAPO and the introduction and widespread distribution of the brigade contract order will create the necessary prerequisites for stopping the issuance of credits for growth in labor wages. This growth must be ensured at the expense of the end result -- the delivery of production to the state or its sale to the population.

On the whole, the issuance of funds for labor wages by means of credit in the absence of funds in the accounts of the economic management organ, as well as the payment of accounts to suppliers, significantly weakens economic cost accounting and state financial discipline and responsibility. We know that in the overwhelming majority of cases the absence of funds in the accounts of the economic management organ testifies to above-plan reserves of raw goods, materials and equipment, increased production cost, underfulfillment of the plan or output of poor quality products, or large losses. This is clearly confirmed by the fact that since 1979 the accounting credits of the USSR Gosbank have more than doubled. It has become easier for the economic management organs to obtain accounting credit than target credit which requires substantiations, measures, obligations, and which entails increased attention of the control organs.

The proposals which we have submitted on the possible restructuring of planning and organization of finances and credit have the goal of increasing the efficiency of application of the finance-credit mechanism in solving the problems of intensification of production on the basis of continued implementation and in-depth development of economic cost accounting, increasing its directionality toward strengthening monetary circulation as the general basis and condition for application of cost categories in the management of the socialist economy, as well as reducing public outlays for servicing the functioning of the finance-credit mechanism itself. According to our calculations, merely by ceasing the intrasystemic redistribution of profits it would be possible to save about

70,000 man-hours of work time a year, and over 12 tons of paper. The elimination of the need for submitting outlines of financial balances every year to superior organizations for review thanks to the introduction of stable norms and standards already saves thousands of tons of paper and millions of rubles in business trip and mail and telegraph expenses. It also lightens the load on transport, hotels, and leaves management personnel more time for solving long-range problems.

No less important for achieving these goals is the improvement in the organization of payment transactions in the national economy. The rational organization of payment transactions and their optimization present a major independent problem. Within the framework of this topic, it is expedient to touch upon certain individual questions on the organization of payment transactions which are directly associated with the presented proposals and may, in our opinion, be resolved more effectively on their basis. It is necessary first of all to significantly reduce the monetary circulation which has become overgrown, particularly that which is not associated with the movement of material goods and often implemented with the participation and at the expense of bank credit. The result would be a savings of circulation expenditures in the national economy.

The organization of payment transactions is constantly being improved. Many effective national economic decisions have been adopted, such as the organization of records on mutual demands, plan payments, etc. At the same time, this sphere still makes insufficient use of the advantages of the socialist system of economic management (where the economic management, finance and banking organs are all part of public property). Thus, today the payment schedules for various types of budget contributions and recomputation of funds to accounts for financing capital investments are in effect as they were established 30 or more years ago. They are paid, as a rule, three, and for turnover tax up to five times a month, based on the plan amounts of payments with continuous recalculation. At the same time, during this period the income base of the state budget in all of its sectors and the volume of the country's loan fund have increased many times over. The communications, structure and placement of production and the application of the social product and the national income have changed significantly. It seems that this has created objective prerequisites for changing over to making payments into the budget from profits and capital contributions for financing capital investments 1-2 times a month for especially large payees and 2-3 times for turnover tax. The question of introducing quarterly payments to union and republic budgets for relatively small payees should also be examined. At the same time, a significant increase in the sanctions for late payments would also be justified. This measure would ensure a reduction in document turnover for payments to the budget and contributions to construction to 1/2 - 1/3 the current amount.

The questions which we have touched upon do not exhaust the entire complex of problems in improving finance-credit relations such as the interconnection with price formation, foreign economic ties, production costs, etc. Nevertheless, the practical development and introduction of the positions presented on improving the organization of finance-credit planning could, in our opinion, become one of the links in rebuilding the economic management mechanism. COPYRIGHT: Izdatelstvo "Ekonomika", "Planovoya khozyaystvo", 1985

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RESOURCE UTILIZATION AND SUPPLY

GOSBANK ENCOURAGES MATERIALS CONSERVATION

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[Article by P. D. Subbotin, department head of the Economic Planning Administration of the Gosbank Board: "Bank Control Over the Saving of Material Expenditures"]

[Text] In speaking in April of the current year at a meeting with the leaders of the industrial associations and enterprises, kolkhozes and sovkhozes, production brigades and specialists and scientists, the General Secretary of the CPSU Central Committee M. S. Gorbachev emphasized the importance of the problem of strengthening economicness, combating waste, and rationally utilizing what the labor collective possesses. The task is to endeavor to obtain more end product from each unit of raw materials and capacity and reduce labor expenditures.

The system of the USSR Gosbank, in being a body of statewide accounting and control, has made a definite contribution to carrying out the tasks of ensuring rational management in the associations (enterprises) and organizations and the strengthening of cost accounting, using money and credit to encourage the comprehensive use of raw materials, to reduce production wastes and prevent product losses.

Over the period since the start of the 11th Five-Year Plan in the Gosbank operations new elements have been worked out for the current system of crediting and financing, clearing payments and organizing economic work in the aim of focusing on the fuller mobilizing of reserves in all the national economic units. The bank's control functions have also undergone further development in the previous period. Here the Gosbank, in having a nationwide system of institutions, possesses broad opportunities in exercising economic control over the course of socialist expanded reproduction of material goods and the movement of the value of social product. By bank credit in the national economy one out of two rubles of working capital is formed. In exercising ruble control, the bank provides a differentiated approach to the crediting of the associations, enterprises and organizations. But still the results of bank control are not always high. There have been frequent instances when economic measures applied by certain bank institutions have remained in effect for a long time but the state of affairs in the economic bodies in terms of the use of material, labor and financial resources

continues to remain unsatisfactory. What is the main reason for this and how would it be possible to increase the effectiveness of bank control, in particular, over the rational utilization of working capital in the economy? Practice indicates that most often such a situation arises when the application of credit sanctions against an enterprise or association is not reinforced by the initiating of the necessary organizational work by the bank aimed at an integrated solution to the problems in the area of the economic and financial activities of these economic bodies on all management levels.

Increased efficiency in social production is largely determined by the clarity and smoothness of interaction among all units of the economic mechanism, including its subsystem, the levers of bank action. The sphere of bank control encompasses various aspects of the economic ant financial activities of the associations, enterprises and organizations and operates at the same time as an object of control by certain other state administrative bodies such the financial bodies, the bodies of the USSR Gossnab, the USSR Gosstandart, USSR Gosarbitrazh [State Arbitration Committee], the USSR TsSU, the USSR Stroybank and the state inspectorates for commodity quality and trade. Quite naturally, due to the particular features of the administrative functions entrusted to them, the control exercised by them has specific features. However, with all the particular features of administrative activities, there is the main thing which unites the efforts of all the state control bodies and this is the focusing of statewide control on carrying out the main national economic tasks stemming from the state plans for USSR economic and social development.

The given circumstance objectively presumes the need for coordinating bank actions with the bodies of statewide management in exercising control over the mobilizing of internal economic reserves for economy. Here it is possible to employ the most diverse forms of interaction among the controlling administrative bodies, for example to carry out joint checks on special questions which are of common interest, the reciprocal exchange of economic information, the elaboration of procedural instructions on accounting, reporting and production control, the carrying out of joint analysis of economic and financial activities and the raising of questions of saving material, labor and financial resources before the party and soviet bodies and the economic management bodies.

The organizational basis in coordinating the work of the bank institutions with the USSR Gossnab bodies in the area of monitoring the economic and rational use of material resources was the publishing of the joint instructions "On Measures to Strengthen Control Over the Economic and Rational Use of Material Resources and the Work of Putting Above-Norm and Unused Materials Valuables Into Economic Circulation" by the USSR Gossnab, the USSR Gosbank and the USSR Stroybank on 29 April 1982. These were to be followed by their systems. In being guided by them, many bank institutions on the spot have achieved a qualitative revision of the style and methods of economic work in monitoring the activities of the enterprises and organizations. They have eliminated the duplicating of checks and have begun to more profoundly analyse the reasons for their nonfulfillment of the quality management indicators and to competently solve the questions of applying credit measures in individual instances to the economic bodies.

Thus, in Kazakhstan, of the III economic bodies included by the bank in the survey conducted by it on the question of the fulfilling of the Degree of the CPSU Central Committee and the USSR Council of Ministers of 30 July 1901 "On Strengthening Work in the Area of the Saving and Rational Utilization of Raw Material, Fuel-Energy and Other Material Resources," 45 economic bodies were inspected jointly with the bodies of the USSR Gossnab. The results of the inspections were examined at sessions of the permanent commissions under the main territorial administrations of the republic Gossnab with the involvement of the enterprise leaders. On the basis of the demands presented by the Kazakh Republic Office of the Gosbank and the Kazakh Gossnab, the economic bodies worked out and implemented additional organizational and technical measures for the rational use of material resources, they revised their expenditure norms for raw materials per unit of produced product and annieved an above-plan savings in their expenditures totaling 5.2 million rubles.

On the basis of a unified coordinating plan for the inspecting hodies of Moscow, the Gosbank institutions and the City Territorial Administration of the USSR Gossnab, at 10 enterprises of Glavmospromstroymaterialov | Main Moscow Administration for the Building Materials Industry| they inspected the state of storing, utilizing, norming and accounting for material resources and the fulfillment of quotas to reduce the cost of commodity product. The materials of the inspections were examined at the collegium of this administration. From the results, economic sanctions were applied against a number of enterprises, while certain leaders were punished administratively through their superior bodies.

Working contacts of the Gosbank institutions have been strengthened with the republic, kray and oblast interdepartmental commissions for the saving and rational use of material resources (MVK) set up in the aim of coordinating the work done in the economy to improve the utilization of raw products, materials, fuel and energy as well as exercise effective control over the course of implementing measures in this area.

The leaders of the oblast, kray and republic Gosbank offices, as a rule, are members of these interdepartmental commissions set up on the spot and this makes it possible for them to take a direct part in preparing and reviewing the materials describing the state of affairs on the questions of the saving and rational use of material resources.

Proposals have been actively submitted to the MVK by the Gosbank institutions in Belorussia on strengthening the observance of economy and thriftiness. Each quarter the republic MVK receives information from the bank on the results of inspections conducted on the use of material resources by the enterprises and organizations. A majority of the proposals submitted by the bank institutions are properly supported by the MVK. In particular, from materials of a Gosbank office, sessions were held of the MVK and measures set to reduce the expenditure of raw product, fuel, energy and other material resources and to increase the efficiency of their use at the enterprises of the Belorussian Ministry of Rural Construction, the Ministry of Chemical Industry and the Ministry of Electrical Equipment Industry.

Upon the initiative of the Leningrad City Gosbank Office, the MVK reviewed the materials of checks on the course of carrying out the established quotas to reduce above-norm and unutilized material commodities and to save material resources at 68 associations and enterprises in the city; it adopted the appropriate measures.

Institutions from the Ukrainian, Belorussian and Kazakh Republic Gosbank Offices as well as the Kemerovo, Novosibirsk and certain other oblast offices are widely using the press, radio and television, in popularizing, on the one hand, using mass information media the methods of intensive economic development at advanced enterprises and, on the other, creating around individual negligent economic leaders an atmosphere of intolerance for the instances of wastefulness and the irrational use of material and financial resources permitted by them.

The program of practical actions for the bank institutions in carrying out the tasks in the area of saving material, labor and financial resources has been set out in a number of normative acts of the USSR Gosbank (Order No 109 of 13 August 1981, Letter No 499 of 14 October 1982 and others). Of the entire range of measures worked out by the Gosbank to strengthen the incentive role of credit in the saving of material resources, we should particularly mention the new regulation which describes the setting of credit relations with associations, enterprises and organizations in an immediate, organic link to their fulfillment of quotas relating to product costs and within these quotas, the limit of material expenditures per ruble of product, in addition to observing the expenditure rates for raw products, materials, fuel, thermal and electric power.

The designated regulation is being carried out by the banking institutions in the process of implementing a differentiated approach in crediting the associations and enterprises and can also be employed in extending loans to them under the conditions of the concluding of credit agreements in those instances when the economic body does not fulfill the plan quotas for product costs due to the overexpenditure of material resources.

The introduction of such a form of credit relations with the economic bodies has demanded a more detailed analysis by the banking institutions of the use of material resources in the economy.

Here we should emphasize that the problem of the economic and rational use of raw material, fuel, energy and other material resources has not only very important national economic significance but also a purely banking aspect. Credit can function effectively in socialist production only in the instance when the working capital advanced by it (and above all the material agents of this working capital such as raw products, materials, fuel and energy resources) pass through the entire stage of the reproduction of social product on a planned basis without losses in value itself. But the wasteful use of material resources provided by credit in the national economy ultimately means an unsecured debt for the bank and the delayed repayment of the loans. This is why the bank should show an immediate interest in the observance by each enterprise of the set consumption rates of raw products, materials, fuel and

energy resources and this can be achieved if the bank is more active in exercising its control functions over the work of the economic bodies.

In the above-given instances the concluding of credit agreements with borrowers, in our opinion, establishes conditions for increasing the effectiveness of bank control over the specific measures carried out by them to save and rationally utilize the raw material and fuel-energy resources. In a comparatively short period of time (3-4 months), as a result of carrying out measures under a credit agreement, a savings of material resources was achieved and quotas fulfilled for product costs at the Vladimir Childrens Toy Factory, the Mogilevdrev [Mogilev Wood] Production Association and others. But in giving such positive examples, unfortunately, one must also state that many banking institutions have not introduced into practice credit relations with economic bodies permitting a nonfulfillment of plan quotas for costs due to the overexpenditure of material resources or the extending of loans on the basis of credit agreements with the borrowers.

A promising area in the work on thriftiness is the maximum use of waste products and secondary resources in production. Bank control in this area has assumed particular importance in light of the carrying out of those new tasks in the area of increasing production effectiveness which were set out by the Decrees of the CPSU Central Committee "On Serious Shortcomings in the Use of Secondary Material Resources in the National Economy" and "On the Work of the Vladimir Oblast Party Organization in Strengthening the Savings of Material Resources as One of the Main Areas for the Rational Management of the Economy." These party documents aim the ministries and departments, the planning and supply-marketing bodies at the necessity of conducting measures which ensure the comprehensive processing of raw products and materials and increase the output of finished products from them. In carrying out the measures aimed at achieving a steady reduction in the level of material expenditures and putting above-norm supplies of raw products, materials, equipment, production wastes and secondary resources into economic circulation, it has been recommended that the role of the MVK, the planning, financial-banking bodies, the statistical, supply-marketing organizations and the people's control bodies be increased.

In order that the banking institutions can more effectively use credit and other inherent economic levers to bring about a greater interest of the enterprises in the maximum putting of production wastes and secondary resources into circulation, it is essential to substantially improve the organization of analytical work in the given area. An important support in this work is the fuller analysis of data from the specifications of production and consumption wastes and this analysis should be carried out at each enterprise (association, organization). In carrying out a special analysis, the banking institutions can also familiarize themselves on the spot or at the statistical administration with the monthly reporting indicators from the associations, enterprises and organizations on the utilization of secondary raw materials and shown by them in Form No 14-sn. On the basis of an analysis of this report it is possible to conclude to what degree the specific enterprise has fulfilled the plan for the utilization of individual types of waste products and secondary resources, turned them over to other enterprises or dumped them.

The Decree of the CPSU Central Committee "On Serious Shortcomings in the Use of Secondary Raw Materials in the National Economy" pointed out that the leaders of many associations and enterprises continue to rely chiefly on the receipt of primary materials. As a result, millions of tons of raw materials suitable for reutilization are shipped off to the dumps. Under these conditions it would be advisable to revise the current procedures of credit relations with the industrial sectors for which quotas have been set for the collection and processing of secondary resources. Stronger bank action on the work of the enterprises in these sectors, we feel, could be achieved by introducing restrictions in the granting of loans (a payment or planned credit) to pay for bills for the primary materials delivered to them with the nonfulfillment for the plan for the utilization of secondary resources. It is essential to bear in mind that the effectiveness of bank control will depend largely upon its publicizing. Obviously the bank should inform, in the necessary instances, the supplier and the supply-marketing body on the application of this economic measure in the aim of reviewing the question of reducing the allocated funds for primary materials for the corresponding users. In this regard for the enterprises in the industrial extracting sectors (lumber, metallurgical, chemical and so forth) operating on their own raw materials, it is recommended that the value of primary raw materials be excluded fromt he credit collateral by the amount of the nonfulfillment of the plan for the utilization of production wastes and secondary material resources.

The organizing of credit relations with the associations and enterprises by the banking institutions, depending upon their effective use of secondary material resources, requires that they submit to the bank the above-indicated statistical reporting according to Form No 14-sn and this reporting requires definite improvement. In particular, for assessing the amount of formed and utilized specific types of secondary raw material, in our view, along with a physical measurement we must also introduce a cost one.

In the work of saving material resources, it is essential to increase the role of bank interest rates. At present the interest rate in essence is not aimed at the indicator of saving material resources. The incentive role of bank interest rates in ensuring a savings of material resources is partially apparent only in terms of enterprises which have been converted to their own crediting conditions (in the instance when a penalty is applied in the form of a 20-percent increase in the rate for the use of credit). However, the encouraging of rational management by the interest rate should be carried out not only by applying penalties against the corresponding associations and enterprises but also by granting definite advantages in the "price" for utilizing credit.

In this aspect we should note the practice of the use of differentiated interest rates by the Gosbank institutions (an increase or decrease within limits of up to 20 percent) for associations and enterprises operating under the conditions of the economic experiment, depending upon their fulfillment of the plant quotas, the state and use of working capital. In our view, the system of assessment indicators set for the differentiating of the interest rates should incorporate an indicator for the use of material resources instead of the above-norm uncredited inventories of material commodities,

since in accord with the conditions of the economic experiment the enterprise pays 3 percent per annum to the ministry or to the budget for these.

The problem of the effective use of secondary material resorces in the national economy has assumed particular importance in the activities of the Gosbank from the standpoint of its carrying out of the function of an emission center. In conducting the unified state policy in the area of monetary circulation, the banking institutions on the spot seek out opportunities for the more complete balancing of the monetary income and expenditures of the population in a territorial breakdown. The successful carrying out of this task is achieved primarily by increasing the production of goods needed by the public on the basis of ensuring the rational use by the associations and enterprises of the accumulated production potential and, in particular, by putting secondary material resources into economic circulation. Suffice it to say that from the results of economic analysis of the operations of enterprises and organizations in the individual economic sectors by the banking institutions in 1984, reserves were discovered for increasing the production of consumer goods by 955 million rubles with a significant portion of these being producible from the fuller utilization of the existing raw material resources. Proposals from the banking institutions on the given question have been reviewed and adopted by the local leading bodies.

Better use of material resources in the national economy to a significant degree can be aided by the extending of credit by the bank for fixed capital to carry out measures which include the obtaining of a savings in material resources. For example, the Tartu Plastics Product Plant of the Estonian Ministry of Local Industry was granted a credit for expenditures to expand the production of polyethylene household bags and sacks totaling 2.6 million rubles. The carrying out of this measure made it possible not only to produce 2.4 million rubles of additional product but also save 3.5 tons of high-pressure polyethylene.

The bank-credited reconstruction of the furniture shops at the Vilyandi and Rakvere Lumber Combines of the Estonian Ministry of Lumber Industry created conditions for the complete utilization of wood raw materials, in particular the use in production of non-standard lumber materials, small-sized wood and so forth. At these enterprises virtually only the bark goes to scrap.

The Ulyanovsk Sugar Plant was granted a credit totaling 178,000 rubles to carry out measures to save material resources. The production modernization carried out at the plant made it possible to save 62,000 rubles of material resources and significantly increase sugar output from the primary raw material.

Credit for fixed capital plays an important role in the preservation and loss prevention of agricultural products during the stages of their procurement, transporting, processing and storage. In 1982-1984, in Moscow Oblast alone, using bank credit 30 vegetable and potato storage facilities were put into operation and as a result of this total losses of agricultural product in the oblast declined by 3,000 tons and in a number of facilities (Kaliningrad and Zhukovskiy Markets) losses were reduced by 30-40 percent.

In Armenia, using bank credit, the consumer cooperative organizations have built and put into operation 4 procurement points and the completion of these in 1984 helped increase the volume of procurements and sales of fruits and vegetables by the procurement offices of Yekhegnadzor and Kirovakan raypo [rayon consumer society] up to 25 percent and reduced their losses of agricultural products in the receiving and transporting stages.

The necessity of meeting the demand to allocate capital investments primarily for measures to save material resources has brought about the development of a fundamentally new approach on the part of the banking institutions to resolving the questions related to crediting expenditures for fixed capital. The indicator of the savings of material resources obviously should become one of the most important in assessing the effectiveness of capital investments planned for crediting. Obviously, thought must be given so that the normative instructions on crediting expenditures for fixed capital contain a clearer orientation of the banking institutions for granting credits by them to carry out predominantly those measures which envisage the introduction of low-waste or waste-free production methods, resource-saving equipment and complete processing of the raw materials as well as for creating specialized capacity to process secondary resources.

An indispensable part of the work of saving material resources is improving product quality. The effect of the bank on improving the quality of the produced product is manifested in using credit to encourage expenditures on improving production methods and the physical plant, increasing the reliability, durability and quality of the articles and modernizing the assortment of consumer goods in accord with the demands of the customers. Enterprises which produce good quality products and fulfill the planned quotas for quality receive benefits in crediting. At the same time, economic measures are applied against the economic bodies which do not fulfill the above-indicated quotas.

It must be emphasized that over the years of the 11th Five-Year Plan the rights of the banking institutions in the area of product quality control have been substantially widened. Due to this, as the results of a survey indicate, the bank's influence on the processes of controlling product quality has increased markedly.

In the system of measures of bank quality control, particular significance has been assumed by the right granted to the bank independently (without the approval of the purchaser) to switch the supplier who has dispatched products not meeting the quality or grade conditions of the contract to paying for the product only after its quality acceptance. The employment of this payment procedure in a whole number of instances has produced positive results. Thus, in being converted in June 1984 upon bank initiative to payment for products dispatched to the purchasers after products had been accepted for quality, the Bobruysk Footwear Mill in a short period of time carried out a number of measures to improve product output methods and substantially reduced rejects. As a result, the sanction was lifted after 6 months.

However, limiting the action of this sanction to 6 months does not always make it possible to achieve positive results in enterprise operations to improve

product quality, and hence it would be wise to review the question of granting the purchasers and the bank the right to extend the action of the above-indicated payment procedure in those instances when the suppliers within the last 6 months have not taken the necessary measures to improve the quality of the manufactured product. In the aim of preventing the delivery of poor quality goods for the trade network, obviously it would make sense to also grant the right to the trade organizations after the application of the designated sanction to the supplier which has not taken measures to improve product quality, to prematurely cancel a delivery contract concluded with it.

The effectiveness of bank control over product quality is largely predetermined by cooperation with the USSR Gosstandart bodies and the state inspectorates for quality and trade.

In this context rather effective are the bank sanctions against economic bodies in the form of halting acceptance of bills for encashment or payment when the above-indicated bodies have prohibited the sale of such products. For example, the banking institutions in Kirghizia employed this sanction at the start of 1984 against 91 enterprises. As a result of the joint action of the bank with the inspecting bodies, a majority of the enterprises improved product quality and by the end of the first half of 1984, sanctions continued in effect only against 30 enterprises.

Quite understandably, the cooperation in the work of the bank with the bodies of the USSR Gosstandart and the state inspectorates for quality and trade should have active feedback. Those banking institutions are acting correctly when they periodically inform the quality inspecting bodies on the results of bank control over the observance of contractual discipline on the basis of an analysis of payment refusals received from purchasers as well as provide information on instances disclosed of unsatisfactory storage of raw products, materials and finish products causing the loss of their initial quality.

One of the most important areas of bank control over the saving of material resources is supervision over the use of above-norm and unutilized material commodities in economic circulation and accelerating the turnover rate of working capital. Supervision over the course of fulfilling the set quotas for putting above-norm and unused material stocks into economic circulation, reducing above-planned balances of uninstalled equipment and accelerating the turnover rate of working capital holds one of the central places in the credit and economic work of the Gosbank institutions. The supervisory functions of the bank in this area have assumed qualitatively new development and this to a significant degree has been caused by the increased demands on Gosbank activities at the present stage of economic development. Here an important role has been played by the Decree of 31 July 1981 "On the Procedure for Selling Above-Normed and Unused Material Commodities" approved by the USSR Council of Ministers. By the designated decree the government has obliged the USSR Gosbank and the USSR Stroybank to strengthen supervision over the state of the material stocks located at the consumers.

If one views the organization of banking control over the state of material inventories through the prism of the credit and payment relations with the economy, here one can note a number of fundamentally new provisions. Among

them we should particularly mention granting the banking institutions the right to apply credit sanctions in the form of the partial or complete halting of crediting for enterprises which have not taken measures to reduce above-planned (above-norm uncredited) material inventories even if the economic body does not have overdue loan obligations. It should be emphasized that prior to this many associations and enterprises which accumulated above-planned stocks were outside the field of banking effect since they put into circulation various types of non-planned monetary resources (credit debt, unutilized money in special funds and so forth) and used payment credit. The control exercised by the bank over the activities of such economic bodies did not bring the desired results.

After the USSR Gosbank had issued instructions of 14 October 1982 on the given question, the banking institutions, as the materials of a survey show, began to use the right to apply credit sanctions against enterprises which had accumulated above-planned material stocks some 1.5-2-fold more. In accord with these instructions the banking institutions instituted control over the conformity of the amount of stock deliveries to the needs of production, thereby preventing the accumulating of above-planned material inventories. From the results of the control, in the necessary instances demands are made on the economic bodies and proposals submitted to the Gossnab territorial bodies.

The banking institutions have begun to use more actively the conclusions of the USSR Gossnab bodies in resolving the question of the advisability of granting credit for above-norm commodity inventories. Certain positive shifts have also occurred in the quality of analyzing the state of material inventories and this has been achieved chiefly due to the extensive introduction of thematic analysis into bank economic work.

As an example one might give the inspections conducted by the banking institutions in Estonia on the state and reasons for the formation of abovenorm material balances and their impact on the prompt return of bank credit. The Gosbank office has maintained constant contact with the Estonian Gossnab and this has made it possible for it to check the validity of the formation of above-norm balances of individual types of materials which are the object of bank credit at the enterprises and organizations. In particular, with the agreement of the Estonian Gossnab, credits are planned for the balances of cocoa beans at the Kalev Candy Factory, domestic wool for the enterprises of light industry and the tobacco balances for the Leek Factory of the Estonian Ministry of Food Industry. In the course of carrying out the credit plan, this Gosbank office has made certain that additional credit was not provided for those materials for which credit had been reduced in the planning stage and a payment credit had not been used. Such effective work by the bank together with the supply and marketing bodies in the area of controlling material resources has helped to fulfill the quota for putting above-normed and unused materials into economic circulation by many republic associations and enterprises.

The Chelyabinsk Oblast Gosbank Office, upon a ruling by the Gossnab Material-Technical Supply Administration, reduced the request of the Minyar Hardware Plant for a credit for inventory from 900,000 to 50,000 rubles, while the Perm

Oblast Gosbank Office correspondingly reduced the amount of the requested credit by one-third for the Perm Ventilating Stock Plant. Such contacts of the banking institutions on the spot with the Gossnab bodies to a significant degree have prevented the involvement of credit in incorrectly formed abovenorm material stocks.

In the arsenal of measures of bank action for enterprises and organizations which incorrectly stockpile material inventories, an important place is held by the credit granted to economic bodies at an increased interest rate on the basis of the concluding of credit agreements with them on reducing above-norm material balances at stipulated dates by selling them or using them in production. Practice shows that the given type of credit has been effective, as a rule, in those instances when there is no possibility of the economic body obtaining planned loans for long unused materials under ordinary conditions.

In the process of crediting material commodities, the banking institutions have a stimulating effect on the work of the associations and enterprises in their carrying out of quotas to save material resources. Of the total number of surveyed enterprises, credit for the balances of raw products, materials and fuel formed because of their saving in 1983 was granted to 142 enterprises in an amount of 39.3 million rubles and in the first half of 1984, to 95 enterprises and an amount of 17.9 million rubles. Bank relations with the economy for this type of credit have developed most actively in Belorussia, Kazakhstan and in individual oblasts and krays of the Russian Federation.

At the same time, certain republic Gosbank offices have not sufficiently focused the banking institutions on granting credit for raw products, materials and fuel saved in the economy and in a whole number of instances these materials have been credited by the banking institutions lumped in the general mass of above-norm balances of material commodities. This cannot be considered correct as the loans for the designated purpose are granted for a period up to 12 months only under the condition that the saved materials will be put into economic circulation by using them in production or by reducing the delivery of the corresponding types of materials.

Under the situation of the widely developed movement of the production collectives at the enterprises and organizations to operate 2 days this year using saved raw products, materials and fuel, the banking institutions must show maximum attention to examining the request of the economic bodies for granting them a credit for inventories of saved material resources after they have formed.

In the process of banking control over the state of material valuables, a number of unsolved problems has arisen in the area of the management of material resources and these, in our opinion, merit attention. Thus, in a survey of the associations and enterprises, instances have been established when a certain portion of the production working capital has been formed from long-stored (up to 10 and more years) various types of materials which partially or completely have lost their consumer value. The question arises of how to proceed subsequently with these values and what most effective decisions can be taken in this area? The influence of credit alone on the

sale of long-stored materials is clearly insufficient and in addition a significant portion os these materials is part of the normed inventories and for this reason is not an object of bank credit.

An analysis shows that the associations, enterprises and organizations, in exhausting their opportunities to sell or put long unused materials into economic circulation, are very reluctant to take such a radical measure as the writing off of the value of the designated materials as losses due to their unusability in the economy. The reason for this is rather clear: the higher the amount of such write-offs, the smaller the profit and deductions into the economic incentive funds. Thus, the actual losses which the enterprises allow due to mismanagement in the use of material resources are veiled for an extended period of time or they do not influence a corresponding reduction in the amounts of the economic incentive funds.

As one of the primary measures for solving the given problem, in our opinion, at the associations and enterprises of the industrial ministries we should organize a one-shot inventory of all the production stocks, the balances of incomplete production and finished products, aiming at detecting materials which over a year or a longer period are not used or are used only in insignificant amounts in the system. The results of this census would open up broader opportunities for concentrating materials unused by the economic bodies at the supply and marketing bodies of the USSR Gossnab and at the industrial ministries in the aim of their rapid redistribution.

As for the material commodities which cannot be sold or turned over for use in production, here there is no other alternative except to write off their value from the balance sheets of the economic bodies at the price of their possible employment as a secondary raw material.

In order that the act of the one-shot write-off of these materials does not lead to a sharp drop in the unit's income, obviously it would be advisable for the financial bodies, with the participation of the concerned ministries and departments, to establish several stages for writing off the value of the corresponding materials. To cover the losses for these operations, it would be possible to employ, along with utilizing a portion of the profit, the funds formed as a result of liberating a portion of the norms, as well as those funds which ordinarily are allocated annually to the enterprises and organizations for an increase in the norms.

The author shares the viewpoint voiced on the pages of the journal(1) of establishing norms for the maximum time of storing material commodities at the depots and warehouses of the enterprises. At the end of the maximum time, the unsold materials should be turned over for processing as secondary resources. Along with this it is essential to substantially increase the property liability of officials from the associations (enterprises) and organizations which are to blame for permitting the accumulation of above-norm and unused materials as well as the nonfulfillment of quotas for putting material

⁽¹⁾ DENGI I KREDIT, No 12, 1983, p 19.

resources into economic circulation. One of the effective measures in this regard could be to reduce in the appropriate instances the amount of bonuses owed to them for the work results.

The present problems in the area of managing material resources cannot be resolved without a qualitative improvement in the activities of the material and technical supply bodies. First of all, this applies to providing a cost accounting responsibility of the USSR Gossnab bodies for utilizing the abovenorm and unused materials in the economy.

For increasing the responsibility of the ministries and department for fulfilling the quotas to put above-norm and unused materials into economic circulation and accelerate the turnover rate of working capital, possibly the designated quotas should be included as evaluation indicators for the fulfillment of the five-year and annual lans for the nation's economic and social development.

The solving of the questions raised in the article should help, in our view, to more fully seek out and put into use the reserves existing in the economy for increasing production effectiveness and product quality.

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RESOURCE UTILIZATION AND SUPPLY

RESOURCE SQUANDERING THREATENS INTENSIFICATION

Moscow MATERIALNO-TEKHNICHESKOYE SNABZHENIYE in Russian No 8, Aug 85 pp 3-10

[Article by Doctor of Economic Sciences V. Yefimov, deputy director of the Scientific Research Institute for the Economics and Organization of Material-Technical Supply: "An Important Reserve for Intensifying the Economy"]

[Text] The turning of social awareness to the questions of intensification, increasing labor productivity, rationally managing the economy and the saving of material resources is an important component part of the work getting underway to prepare for the 27th Party Congress. "We are awash in resources because we possess enormous natural wealth," commented the General Secretary of the CPSU Central Committee, Comrade M. S. Gorbachev, in a speech at a meeting of the Leningrad Party Organization aktiv. "This wealth, if you will excuse my pointedness, has depraved us." For this reason to employ every measure to bring about a change in the minds and attitudes of the people from top to bottom, and to focus their attention on the main thing, that is, scientific and technical progress and the rational utilization of each kilogram of steel, each liter of fuel and each kilowatt-hour of electric power, means to make available to the national economy new major reserves for accelerating the growtyh of national income and particularly for preventing losses which impede our progress. One of the essential elements in such a change of awareness is strengthening the elaboration of the political and economic bases for improving socialist property and concentrating attention on the elaboration of practical measures to save resources and prevent all sorts of losses.

1

At the present stage of economic development, the problems of accelerating scientific and technical progress which has become the main source for improving efficiency and intensifying the national economy have become acute. At a meeting of the CPSU Central Committee on the questions of accelerating scientific and technical progress, it was pointed out that there is a vital

necessity for reorienting each enterprise, sector and the entire national economy to an intensive path of development. Delay in introducing new equipment and production methods or the development of transportation, communications, material-technical supply and other sectors of the production infrastructure leads to great losses. The party proceeds from the view that it is essential to seek out additional opportunities to solve this acute national economic problem.

The prevention of losses is a complicated intersectorial and interdisciplinary problem. It has multiple aspects and requires a methodological unity in the economic, engineer, technological, legal, sociological and other research.

Materials which are an object of public socialist property comprise the material basis of socialist production relationships and for this reason the strengthening of this property means, at the same time, the strengthening of socialism's economic basis.

From the viewpoint of political economy, for solving the pr. lem of losses it is essential to employ a broad range of factors on both the national economic and sectorial level. It always has been and remains a problem the solution to which fuses together economic growth with the growth of worker prosperity.

In the process of examining the essence and reasons for losses it is essential to consider the action of certain negative factors at a number of enterprises including low labor, production, technical and planning discipline, theft, and a lag in carrying out a modern scientific and technical policy.

It is also essential to bear in mind the consequences of the losses permitted in the national economy and these are one of the most significant obstacles on the way to solving the key questions of economic construction. This concerns primarily the increase in the standard of living of the public and the carrying out of the Food Program; the increased degree of energy supply for the national economic sectors and the implementation of the Energy Program; the achieving of the goals of the statewide technical policy and carrying out the long-term program for scientific and technical progress; the realizing of the plan targets in the saving of material resources and accelerating the intensification of social production.

The objective basis for reducing losses is the law of the saving of time which necessitates a reduction in the expenditure of working time on producing material goods. In a society where the production process is constantly repeated, a reduction in the expenditure of time on creating the material goods leads ultimately to increased free time which, in turn, makes it possible to expand the production of material goods.

In the process of reproduction, society encounters the category of inevitable losses. These operate as the reasons for the additional expenditure of time on creating the compensatory resources. The amount of this compensation is directly tied to the level of saving the created material goods. The higher the degree of savings, with other conditions being equal, the fewer the losses and, consequently, the less expenditure of working time on the additional production of material goods.

From a theoretical viewpoint it is important to turn to the fundamental aspect of the question. Material resources, being material factors and conditions for socialist expanded reproduction and the material basis for intensifying the national economy in the process of its movement, assume the forms corresponding to its phases (production, distribution, exchange and consumption).

Since in the process of social reproduction the material resources constantly are changing their forms, in terms of each of these it is important to alter the positing of the question concerning the methods and means of preventing losses in all phases of reproduction, that is, in the process of production, distribution, exchange and consumption.

The entire aggregate of material resources available at the corresponding stages of reproduction represents more than two-thirds of national wealth. The losses in the production phase tell on the entire subsequent reproduction process. Losses in distribution, due to the shortcomings of the existing system for determining demand, lead * an imbalance in the established plans and thereby reduce the effectiveness of utilizing the resources as a whole.

Losses in the circulation sphere, as a rule, are related to the loss of a certain portion of consumer value in the process of storage and transporting. Due to the non-observance of constructual discipline for deliveries, numerous losses arise in the consumption sphere, both production and personal. This leads to a lower level of satisfying planned needs. Losses, regardless of their specific causes and forms, mean either an absolute reduction in national wealth or a decline in its growth rate.

The economic effectiveness of preventing losses is that the expenditures for these purposes are significantly less than the expenditures on producing the compensatory amount of material resources. A reduction in the value of social wealth, as a consequence of losses, is caused not only by the irretrievable loss of the material resources but also by the so-called recoverable losses.

The very concept of recoverable losses is internally contradictory, since the maintaining of value as a result of its reworking requires the diverting by society of unanticipated planned resources. For example, the excessive accumulation of scrap metal leads to an increase in secondary resources. Its processing requires additional expenditures of labor, fuel, energy, production capacity and the means of transport. The same thing occurs with increased losses of oil and petroleum products due to disruptions in the work of the pipelines and malfunctions of the tank farms. In other words, in all these instances additional funds are spent on recovering the lost raw material.

The categories of savings and losses form a dialectical unity and difference. While the saving of material resources means an increase in national wealth, then losses are a direct subtraction from this. However, the relationship of losses and savings is not as uniform and rectilinear as may seem at first glance. Losses is a broader category than savings. The problem is that savings are always mediated by the relationships of expanded reproduction and are precisely fixed at each of the phases corresponding to it. But losses can

serve as the reason for a slowdown in the rate of expanded reproduction and even a halting of this.

Losses which arise due to the most diverse factors both economic as well as non-economic (foreign political, military, natural) as well as social phenomena (for example, the spread of alcoholism, the decline in the level of discipline and so forth) are capable of reaching significant amounts. The close link of savings and losses of resources is that where a savings is not achieved, losses occur. Conversely: where losses are prevented then a savings of material resources occurs. The party has set the task in the forthcoming 12th Five-Year Plan of providing 75-80 percent of the increase in the demand of the national economy for fuel, raw products and materials by the savings of these and sharply reducing losses.

A most important principle of the socialist economy is that there should not be the inefficient consumption of the subjects and implements of labor, since irrationally consumed material resources represent excessively spent quantities of embodied labor which are not accounted for by society and do not participate in adding to national wealth.

"The utility of a thing," wrote K. Marx, "makes it a consumer value.... Consumer values comprise the physical content of wealth whatever its social form."(1) In this context it is understandable that all individual consumer values comprising national wealth form a single interrelated complex of its social consumer value. The consumer value of national wealth is that it satisfies the needs of society as a whole and for this reason any type of loss means a subtraction from this wealth.

"A greater amount of consumer value comprises in and of itself a greater physical wealth: two frock-coats are more than one. Two frock-coats can clothe two men and one only one man and so forth. Nevertheless, the growing amount of physical wealth can have a corresponding simultaneous decline in the amount of its value. This opposing movement occurs out of the dual nature of labor."(2) Under present-day conditions, the discrepancy in the dynamics of the mass of physical wealth and its value is due to the increased cost of producing raw products and energy sources. In line with this, the value of the consumed material resources grows faster than their physical mass. Slow rates of scientific and technical progress and the introduction of resource-saving technologies serve as the cause of economic losses. These losses lead to increased material and capital intensiveness of national income.

As was emphasized in the report of Comrade M. V. Gorbachev at the meeting of the CPSU Central Committee for accelerating scientific and technical progress, as a whole our economy in many ways remains wasteful. At present, significantly more raw materials, energy and other resources is spent per unit of national income in a number of other countries. This excess of

⁽¹⁾ K. Marx and F. Engels, "Soch." [Works], 2d Edition, Vol 23, p 44.

⁽²⁾ Ibid., p 55.

expenditures, since it is not socially necessary, must be viewed as losses which reduce the national economic and international level of labor productivity. The increased material intentiveness of our nation's national income is a consequence of factors which can be eliminated as a result of accelerating scientific and technical progress and eliminating mismanagement and at times the irresponsibility in the consumption of resources.

The specific types of losses are extremely diverse and they can be classified into those controllable by planning standards and the noncontrollable which arise as a result of the nonfulfillment of contractual obligations or the failure to meet the planned dates for completing and developing production capacity or introducing scientific and technical achievements.

All of this necessitates a disclosure of the sources and forms of compensating for the losses. First of all, such compensation can only be partial, since any loss has an irreversible nature. Certainly it is a question ultimately of the time losses which are irreplacable. For this reason, it is particularly essential to establish a strong barrier against losses, creating conditions whereby they should be excluded from economic practice. Certainly losses, as a consequence of organizational and economic factors, do not stem from the established plans. But as they are permitted they must be financed.

2

Thrift is a development law of the economy. In a socialist society, planned thrift or economy expresses objective needs of economic progress. In the instance when it is a question of the planned thrift which for some reasons is not achieved, a special type of loss occurs requiring the dual expenditure of material resources for compensating both for the unobtained savings as well as the expenditures envisaged by the plan. In this context it would be economically sound to extend the procedure introduced from the start of the current year of material responsibility . the irrational use of material resources in the aim of recovering for the state two or three times the value of the unfulfilled quota for savings. It is important to eliminate everything which impedes the effective use of resources and the reduction of their losses. The party has demanded that a "antiexpenditure economic mechanism" be operated full force and this would literally strike the hands of the negligent managers and those fond of taking from the state more resources and capital investments and giving society less. Obviously, the time has now come for material sanctions to be personally addressed and thereby influence the wage levels of such leaders. Certainly 100 rubles from your own pocket is at times more felt than a transferred million rubles of penalties from the enterprise account. It is very important to consider this in the final formulation of the antiexpenditure economic mechanism.

All production assets are the physical agents of social socialist property and operate as factors multiplying it. However, this process occurs only when the material means and work time are spent on producing the planned amount of consumer values which form the material content of national wealth and only in socially necessary amounts.

All of this dictates the necessity of establishing a number of definite conditions. First of all, labor itself should be so organized that not a single minute of working time is wasted. Certainly a socialist society sets aside a certain period for work and it counts on obtaining the planned useful result. Otherwise, losses occur related to inadequate expenditures to pay for formally worked time. Such losses cause disproportions between the amount of money paid and the quantity of material goods actually created. In order to eliminate the losses occurring directly at the workplace, in our nation enormous work has been initiated to certify the work areas and introduce collective brigade forms of organizing labor which link together the personal and collective material interest in the end results with material responsibility for the economic brigade work results. Brigade cost accounting is becoming an important barrier preventing various losses in the inferior level of production.

Organically linked to this condition is the need to provide production with a labor force that has the necessary skills, experience and training in that specialty where it is to be employed. This requires definite training, an art and speed in work which provide the usual degree of intensity and stress. For this reason, in the training and retraining of personnel, it is essential to consider the necessity of arming the personnel with a knowledge of new and effective methods for combating losses as well as more effective methods for utilizing the material resources. This is particularly important in developing the new resource- and energy-saving technologies, economic materials and progressive equipment.

The next indispensable condition is to provide each worker with the proper quality of subjects of labor which form the very commodity body of consumer value or assist in its production. If, for instance, instead of the necessary stock an enterprise receives a different, heavier one, then to produce the finished article above the established norm of working time must be spent and the amounts of production wastes are increased. In either instance direct losses of time and material resources occur. This leads to a rise in costs and to a decline in the economic incentive funds. Here the interests of the state budget also suffer.

An indispensable condition for preventing losses is also that each person in his job have the necessary means of labor. For instance, if the production of a competitive article requires modern production methods, an artificially maintained old one nullifies the expenditures of even an exemplary organized and most consciencious labor. These losses are particularly significant and their prevention requires active work on the part of the planning bodies, the sectorial ministries and the leaders of the associations and enterprises.

At present the task is being carried out of organizing a systematically conducted state certification of operating production methods. This makes it possible on a planned basis to introduce modern resource-saving methods, determining also the times of scientific development and the procedure of its introduction. The physical exclusion of obsolete production methods and their replacement with new ones means a 2- or 3-fold rise in the efficient use of labor resources, fixed productive capital, raw products, materials, fuel and energy.

During the age of the scientific and technical revolution, the main source of losses is the production and operation of obsolete equipment, machinery and technology. This is tied to the slow rate of scientific and technical progress and to the production of non-competitive products.

All expenditures which occur above a scientifically sound level do not increase but rather reduce national income. This occurs due to the inevitable rise in such a situation of the material intensiveness of net product in the entire national economic complex. As a result the material resources are consumed on increasing an economically justified intermediate product. A situation arises whereby production absorbs what is being created instead of maximally adding to the output of net product and thereby increasing labor productivity.

It is hard to overestimate the urgency of combating losses. Certainly the negative consequences of this phenomenon in the national economy become evermore tangible with every passing year, even with a fixed consumption volume of material resources. This is explained by the fact that four-fifths of the presently used natural resources are located in Siberia and the regions of the Far North. This can be seen most clearly from the example of oil. Over the lat 10 years, capital investments per ton of increase of "black gold" each year rose by 5-6 percent. The cost of producing oil has increased by 1.7-fold. For this reason the permitted oil losses lead to a constant increase in the deduction from national wealth. Under the conditions where resources are becoming evermore inaccessible, a constant decline in the resource intensiveness of production becomes one of the decisive sources of economic growth and a constant reduction in losses makes it possible to an ever-greater degree to multiple national wealth.

In order not to increase the costs of the economy, it is important to make it more intensive and capable of raising the end results with the same resources. The central place in solving this problem is the use of energy- and resource-saving production methods. Often in the national economic sectors there are operating side by side modern economic technology and old leading to significant expenditures on obtaining the same result. Thus, at the nation's thermal electric plants they successfully operate units which consume 240 grams of fuel units, while as a whole for the sector over a number of years the average expenditure has been on a level of 326-328 grams. This is the result of operating obsolete units which require 2- and even 2.5-fold more fuel to produce each kilowatt hour.

It turns out that the operation of obsolete units leads to annual losses of around 20-22 million tons of fuel units and over the five-year plan some 100-110 million tons. At the same time, if we began actively replacing the operating obsolete power units with new ones, it would be possible to increase electric power production per year by more than 80 billion kilowatt hours. This would be possible only in the instance that we began operating new equipment making it possible from each kilogram of saved fuel to produce over 4 kilowatt hours of electric power instead of the usual 2 or 3 for the sector.

The introduction of progressive production methods in all other sectors also provides a great effect. Thus, producing cement by the dry method instead of

the traditional wet method helps to save 25-30 percent of the fuel. At the same time, the USSR Ministry of Building Materials Industry has not drawn the proper conclusions from this and continues to rely on the production of the basic mass of cement by the obsolete energy-intensive method. The production of predominantly low-grade cement by the ministry enterprises leads to surplus expenditures of cement in building construction projects.

In accord with the two types of expanded reproduction-extensive and intensive-a distinction is also made between two basic methods of using the material resources. With the extensive type of reproduction, the level of the effectiveness of materials consumption remains unchanged and for this reason for adding to national wealth it is essential to have a constant quantitative increase in the output and consumption of material resources. At this stage of economic development, losses are manifested in the form of an absolute quantitative reduction of already produced material resources. Under the conditions of intensive expanded reproduction, the effectiveness level of the material resources rises steadily. In line with this the forms of the manifestation of losses become more complex.

Along with the traditional form of a quantitative reduction of resources, a new form of losses has arisen. Its particular feature is that it is manifested in a retarded increase in the efficient consumption of material resources. Here the compensating factor is the extensive increase of consumed resources. However, such growth in the production of resources involves enormous additional expenditures which cause an undesirable increase in unrepaid investments.

Particular attention should be paid to the problem of maintaining the physical form of national wealth. The problem is that all the elements of its consumer value, even if they are not used, require definite expenditures for their maintenance. For this reason, in and of itself, the process of maintaining consumer value of national wealth without its proper growth rate, automatically reduces the value amount of resources which society has available.

Another equally important feature of the consumer value of national wealth is that it is in constant movement. Material resources, under the condition of their rational utilization, carry out a process of circulation. The very process of their movement has six elements. What are these elements? The extraction of material resources is the first element. Their transporting and storage is the second. The production of semifinished products and materials from the extracted and processed raw material is the third element. Production of the finished product is the fourth. The sphere of consumption (the operation of the implements of labor and the use of consumer goods) is the fifth element. The use of producton and consumption wastes in further economic circulation, that is, the entire social practice of using secondary resources is the sixth element. It is important to consider that precisely this element is the starting point for the circulation of that natural substance which was assimilated by society as a result of extraction.

Consideration of these elements in the constant movement of material resources in the reproduction process as well as a clear understanding of the conditions

for organizing the circulation of the consumer value of these resources are an important methodological prerequisite for controlling the complex social structure which is put into motion in solving such a national economic problem as the prevention of losses.

Here it is important to consider the dialectical unity of the technical, economic and social aspects of preventing the losses of material resources. The essence of this unity is that none of the aspects operates separately. The relationship between them is such that it is felt in the structure of the distribution of newly created value between the consumption and accumulation funds. Thus, the solution to the technical aspect of the problem of preventing losses requires additional capital investments. Although these expenditures are paid back, at any moment due to the scarcity of investments additional justification is required. Particularly important is the task of using economic and social methods to prevent losses. At times no capital investments are required for this but the effect is a great one.

3

Particular attention should be paid to the economic aspect of the problems of preventing losses. From the political economic viewpoint, under socialism, at each stage of economic construction a socially necessary level of expenditures of live and embodied labor is formed. The most important component in the expenditures of embodied labor is the socially necessary expenditures of intermediate product (raw products, materials, fuel and energy). The amount of these expenditures per unit of national income used for consumption and accumulation describes the socially normal level of its material intensiveness. At the same time, at each specific enterprise an individual level of expenditures of intermediate product is formed. In that instance when the individual expenditures exceed the socially necessary ones, it can be asserted that this is also the amount of losses of material resources.

Consequently, a delay in carrying out the necessary scientific-technical measures bringing about a reduction in material intensiveness ultimately leads to losses of material resources.

Along with solving the large-scale problems of preventing losses in material resources as a consequence of the lag of the technical level of production, the problem of eliminating losses has assumed particular urgency in transporting and storage. Here the work of preserving the mass of transported and stored product as well as maintaining its quality moves to the forefront. Each person realizes that certain losses in this sphere occur. They are considered inevitable losses and certain standards are set. Here important first of all is a truly state, carefully weighed and thought out approach. What does this consist of? Primarily in assessing the level of such losses from the viewpoint, in the first place, of existing world practices, secondly, from the position of leading domestic experience and, thirdly, through the prism of those opportunities which are opened up by the employment of new scientific achievements (an improvement in the product itself as well as the methods of packaging, storing and transporting).

The unity of these three criteria is an obligatory condition making it possible to determine the loss level which will be recognized as truly inevitable and which, as a consequence of this, needs to be normed, that is, recognition of it by the state. Since these losses exist, this provides grounds for working out specific measures to reduce them.

A consideration of these methodological provisions also provides the corresponding theoretical basis for solving the problem of improving the normative base of so-called natural loss. First of all, it is essential to take up the terminology. The very term "natural loss" is imprecise. To a certain degree this justifies the losses, in appealing to nature and natural processes. At the same time, such losses are losses which have a social nature for they characterize the degree of introducing scientific and technical achievements as well as the level of the overall technical and sociolegal efficiency of society as a whole.

At a Baku enterprise for delivering chemical materials of the Azerbaijan Gossnab, a system was introduced for the hermetic bottling of the liquid chemical product in a special reusable packaging. As a result it became possible to eliminate the standards for the natural loss of highly volatile chemical liquids. Here is the "naturalness" of losses. For this reason it is important to proceed from the view that the task consists not in perpetuating the "natural loss" but rather in creating conditions which on the basis of scientific and technical achievements lead to the elimination of the very reasons for such loss. It would be sounder to describe that phenomenon which has been termed "natural loss" as a normative loss in the mass of product in transporting and storage in a similar manner that enterprises for which a loss is planned are termed planned-loss enterprises. In the latter name one can also see the task of completely eliminating the losses. As for the various other normed losses in transporting as a consequence of breakage and other factors, these are also termed planned loss standards.

It is also extremely important, as it is a question of terminology, to focus attention on the fact that in a majority of documents mention is unrightly made of losses of products and commodities. This wording although long found in official documents needs clarification. Certainly consumer goods are also a product of socialist production. The difference is merely that some products of labor are means of production while others are personal consumer goods. The necessity of such a clarification is obvious. It is a question of establishing a clear understanding of the social homogeneity of the nature of socialist production products which comprise a single basis for the growth of worker prosperity.

Now briefly, about the very scale of the plan-permitted loss in bulk in transporting and storage. As a whole for the nation the various types of transport (including motor vehicle and pipeline) carry around 10 billion tons of freight. Here a reduction in bulk losses by just 0.1 percent would mean preventing the write-off of 10 million tons of freight the value of which approaches 100 million rubles. If one considers that for every ruble of produced raw material one must invest more than 7 rubles of capital investments, then with the designated scale of savings (0.1 percent) it would be possible to save on the order of 70 million rubles of capital investments.

But this is not all. The designated reduction in the loss of bulk makes it possible to produce an additional gross social product of almost a half-billion rubles, including 0.25 billion rubles of national income. If one considers the real opportunities of reducing losses in transporting and storage assessed on a level of 0.3-0.4 percent and more, then the figures will run into billions of rubles. As one can see, a reduction in the norm-permitted losses of bulk is an important national economic task and it must be carried out in the most active manner.

Here we find it advisable to follow two important interrelated directions. One of them is in carrying out scientific research to harden the standards of permissible losses in weight and creating conditions whereby due to progressive equipment and improving the organization of work, the designated losses would be maximally reduced or completely eliminated. But this direction means that the hardening of the current normative base for planned weight losses of the products would occur by initiative from above.

For this reason, it is equally important to use the other direction oriented at the active involvement of the labor collectives in hardening the norms of the tolerable weight loss. From this viewpoint, we feel, it would be useful at the enterprises, associations and organizations to set up a special procedure for encouraging a reduction in the losses of material resources in storage and transporting. This mechanism is simple. In our opinion, according to the results of the economic year, it would be advisable to show the difference between the normed and actual amount of losses in transporting and storage. This amount must be directed at an economic encouraging of the enterprises, in reducing or increasing them. It is also essential to permit the enterprises, associations and organizations to establish temporary (for not more than 5 years) individual standards for bulk losses and other losses which are lower in comparison with the state standards.

The enterprises, associations and organizations which achieve maximum preservation of socialist property each year should be assigned ranking places according to the results of the established procedure of the all-Union socialist competition. Such exemplary enterprises should be given the right to increase the rates and salaries for workers, specialists and administrative personnel within the limit of up to 10 percent by reducing the free profit balance transferred to the budget.

We feel that for the workers of these enterprises provision should also be made for increased pensions. The proposed procedure would make it possible to interest the labor collectives of the enterprises and organizations of industry, construction, transport, material-technical supply, procurement and trade.

In order to specifically envisage the effectiveness of the new approach to encouraging a reduction in losses, we might refer to the experience of the Shumerlya Chemical Plant of the All-Union Industrial Association of the Hydrolysis Industry Under the Glavmikrobioprom [Main Administration of the Microbiological Industry] of the USSR Council of Ministers. This plant employs oak raw material for producing oak extract. The price of a cubic meter of raw material is 27 rubles. If the raw material is from 20-year-old

oak, then it contains 5-b percent useful ingredient, but if young trees are sent for processing, then the extract yield is 2-fold less. But the price is the same. Considering this it would be advisable for the USSR Goskomtsen [State Price Committee] to set prices for the oak extracts of raw materials proceeding not from a 3-percent content but rather the actual one.

There is the following problem. The amount of useful ingredient in the raw material is determined by a laboratory analysis which takes a minimum of 2 days. How should the payment for the product be made? The Shumerlya Plant has over 70 suppliers and each day 400 railroad cars are delivered. It would be correct to set payments in two stages. During the first to have the plant specialists set an expert evaluation. The final payment would be made after the laboratory analysis.

In addition, the plant operates considering the requirements of State Standard 41-06 for raw materials from oak. This State Standard in essence has not been revised for 10 years. The new standard introduced in 1974 in terms of its parameters virtually did not differ from its predecessor. Some 6 years later, the State Standard approved in 1980 was extended until January 1986. Such conservatism in the standards for raw materials naturally impedes the work.

The delivered wood raw material is measured not by weight but by volume in warehouse cubic meters. Then these cubic meters are converted into solid ones. After this, according to the production requirements, the raw material is stored for 6 months. The oak logs of measured length and equal size loses its bark over the 6 months of storage. For this reason it goes for processing in a reduced volume. This difference between the delivered and processed raw material should be considered the amount which is defined as natural loss.

Over the last 5 years the loss standard for the wood was on a level of 0.7 percent. Actually from 0.7 to 0.2 percent was written off. And in the last 2 years, 2-fold less was written off than in previous years. Consequently, here, too, there are reserves for reducing losses.

If the labor collective of the Shumerlya Plant were given the right to work out its own, lower weight losses than those set by the standards, it would be possible to bring this standard down to 0.4 percent in comparison with 0.7 percent. The difference of 0.3 percent transferred to the economic incentive fund of the enterprise would mean 8.1 kopeck for each cubic meter. As a whole for the enterprise this would provide a significant savings.

In a number of the CEMA socialist countries, in particular the GDR, there is a procedure for double loss standards set, on the one hand, by the state and, on the other, worked out and approved by the collectives of the enterprises and associations.

The specific features of the loss norms set by the state bodies is such that they should be supplemented by the obligation standards worked out by the labor collectives. In the event of an above-norm write-off, in our opinion, the loss should be compensated using a wholesale price multiplied by 10.

Considering that expenditures on the prevention of losses make it possible to reduce capital investments on extracting the raw materials and broaden product output, it is important to focus the attention of scientists on the questions of eliminating losses. Great work must be done to study all types of losses in the national economy, to work out a program and measures for the fuller utilization of scientific and technical achievements which prevent losses, and utilize different social and organizational measures for increasing the activeness of the labor collectives in combating the losses. This will provide an opportunity to better establish and develop a system for combating losses, having thereby accelerated the pace of intensifying the national economy and a fundamental turn of its sectors to savings and the rational use of material resources and on this basis to increasing the standard of living of the workers.

The Soviet people place great hopes on the ideas, initiatives and plans with which the party is approaching its 27th Congress. The struggle to prevent the losses of resources and their greatest possible savings will be an important practical matter which will help them in realizing these hopes.

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RESOURCE UTILIZATION AND SUPPLY

SPECIAL SUPPLY PROBLEMS PLAGUE EASTERN TPKS

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[Article by Candidate of Economic Sciences L. Lebedeva, docent at the Novosibirsk Institute for the National Economy: "Territorial-Production Complexes and Resource Management"]

[Text] One of the progressive forms for the development of the productive forces is the establishing of specific-program territorial production complexes [TPK] in the Eastern regions of the nation. In the process of their formation, definite problems have appeared and the successful functioning of such complexes depends largely upon a solution to them.

First of all, it is essential to have a supply system which is capable of establishing clear, complete, prompt, rhythmical and comprehensive supply of the installations with minimum overhead and product inventories. The difficulty of this problem is that its solution is tied, on the one hand, to improving the entire material-technical supply system in the aim of increasing the balanced development of the economy and, on the other, it is closely linked to the forms and methods of planning and management for the TPK directly.

With high growth rates for industrial production, with the marked deepening of its specialization with the simultaneous broadening of subcontracting, with the significant modernizing of the range of produced products under the influence of scientific and technical progress, with the construction and completion of many new large enterprises and with the active advance of the productive forces into the Eastern regions of the nation, the importance of the material and technical supply system in planning the volumes and range of products to be produced in the process of establishing economic ties between suppliers and consumers has immeasurably increased. The problem of optimizing these ties in the aim of having all participants fulfill the state plans under the conditions of large-scale production and construction over the gigantic territory of the nation is becoming very acute.

The impact of material and technical supply is even more tangible in the Siberian TPK. This is caused by the following specific features of their economic development. In the first place, here the share of construction is high in the gross product of the complexes. And this is carried out almost

completely using materials and equipment shipped in and required in large amounts due to the unusually high rate of putting up the projects.

Secondly, in the gross product of industry the extracting sectors predominate, since the TPK are set up basically on the site of large natural mineral deposits (oil, gas, coal, copper and so forth) with their uniqueness and enormous scale requiring a search for new ways for accelerated exploitation by developing new types of implements of labor oriented at their use predominantly in the given regions.

Thirdly, the TPK set up on a compact territory should be not merely a range of definite industrial and construction projects but rather entire interrelated systems in which often the end products or waste products of one type of production are the initial raw material for another. Under these conditions an important principle in their successful development is the observance of the planned sequence of building and completion of the appropriate projects as a disturbing of this creates an additional strain for the material supply system.

Fourthly, the focal principle of locating the productive forces at a majority of the Siberian TPK and the poor availability of mainline transportation for their territory to a significant degree complicate the delivery of material resources, necessitate repeated transhipping of the product and require advance allocating of funds and the stockpiling of large seasonal inventories. All of this necessitates the creation of the corresponding material and technical base for the supply system which would meet the development level of the productive forces in the complexes.

Thus, during the Ninth and Tenth Five-Year Plan, the sales volume of material resources by the supply bodies of Tyumen Oblast increased more rapidly than the volumes of gross product and capital investments. The growth rate of overhead outstripped the growth rate of the product sales volume and the level of this overhead surpassed the republic and Union average indicators by 2.5-fold. Expenditures for transporting goods to the depots, warehouses and stores comprised almost two-thirds of the total overhead of the supply and marketing organizations and their proportional amount exceeded the analogous indicator for the RSFSR and the nation as a whole.

Finally, the absence of flexibility in the systems for transporting the product and the use of various types of transport so characteristic for the developed industrial regions of the nation has limited the possibility of choosing the most rational form of moving the products. This places the speed and promptness of product delivery in direct dependence upon the degree of coordinating the activities of the supply-marketing and transport organizations. Considering that the Siberian TPK are major consumers of material resources with expenditures on their transporting and storage reaching hundreds of millions of rubles, the control over the movement of materials in such complexes becomes an urgent task in the aim of the complete and prompt supply of consumers with the means of production with minimum inventories and overhead.

The difficulty of solving this problem is exacerbated by the fact that the boundaries of the TPK, as a rule, do not coincide with the boundaries of the administrative-territorial formations to which long-range and current planning are traditionally tied as well as the zones served by the territorial supply-marketing and transport organizations. Moreover, the economic mechanism for the relations of these organizations requires improvement. Thus, the activities of all participants in the supply-transport process in the TPK continue to be judged from intermediate sectorial indicators and this often leads to a divergence of their cost accounting interests and an insufficient consideration of consumer interests. This poses as an important problem the orienting of their activities at achieving the end goals for which the TPK were established.

The existing system for the allocation of material resources is marked by complexity and numerous supply channels. The distribution of production and technical products is presently the concern of the USSR Gosplan, the USSR Gossnab, the ministries and departments, the Union republic councils of ministers and other organizations depending upon the product range, the contingent of consumers, the sphere of use and so forth.

Moreover, the unified sector of material-technical supply and marketing, from the management viewpoint, is split into several systems. Planning and allocation of the stocks are carried out by the USSR Gossnab, the USSR Goskomnefteprodukt [State Committee for Supply of Petroleum Products], the USSR Goskomselkhoztekhnika [State Committee for Supply of Production Equipment for Agriculture], the RSFSR Gossnab and the departmental supply bodies.

With the existing procedure for allocating products and the present system for managing material and technical supply, the TPK are involved with numerous central and local supply bodies. Under the conditions where the USSR ministries and departments and the Union republic councils of ministers are the allocators, all the work of planning material supply is carried out through these bodies.

Regardless of the priority in allocating the stocks and the increased control over the course of product deliveries to the projects of the TPK, with such a procedure oriented at the "sector," it is difficult to guarantee complete and dependable material-technical supply for each complex as a new type integrated system as well as maneuver the material resources between projects of varying sectorial affiliation. The problem is that at present each project (or group of projects in one sector) appears before the nondepartmental and sectorial supply bodies as independent consumers, while the TPK, as a single entity is not considered an independent supply project and as of now there is no body responsible for its material support.

As a result in each TPK there is a number of unsolved problems of material and technical supply. For determining the need for production and technical products it is essential to have technically sound consumption standards and no ms which maximally take into account the specific features of one or another complex. It is essential to improve the balancing work to coordinate the demand for material resources and the existing opportunities for satisfying this both within the complex itself and outside it.

Up to now we have not established an optimum level of concentration, specialization and location of supply-marketing organizations on the territory of the TPK in the aim of reducing overhead and increasing the reliability of supply. Often there is a lack of highly mechanized material and technical facilities for these bodies which meet modern demands.

The activities of the supply-marketing and transport organizations serving consumers have not been properly coordinated everywhere. At the same time the organization of product deliveries requires an optimizing of the freight flow and stronger control over the material movements to the TPK.

The control of material and technical supply for the complexes requires a further improvement. It is essential to rationally combine sectorial and territorial interests, centralized and decentralized methods of management, and to eliminate parallelism and duplication in the activities of the supply and marketing organizations of different affiliation by orienting their planning and operational work at achieving end results with minimum labor, financial and material resources.

We will demonstrate the complexity of the designated problems using the example of the Western Siberian Oil and Gas Complex.

Since its installations are located on the territory of Tyumen and Tomsk Oblasts, they are served separately by the main territorial administrations of the USSR Gossnab and the corresponding oblast organizations of the USSR Goskomnefteprodukt, the USSR Goskomselkhoztekhnika and the RSFSR Gossnab which have their own warehousing systems. They all are, on the one hand, plan supply bodies for the product range assigned to each of them and for the group of clients in accord with the existing procedure for allocating means of production and, on the other, handle the stocks allocated to the consumers, organizing product deliveries both by transit and from warehouses and depots.

The leading ministries of the Western Siberian Oil and Gas Complex also have their own warehousing systems. These include the Ministry of Petroleum Industry, Ministry of Gas Industry, Ministry of Construction of Petroleum and Gas Industry Enterprises, the USSR Ministry of Construction, the USSR Ministry of Industrial Construction, the Ministry of Transport Construction, the USSR Ministry of Power and Electrification and the USSR Ministry of Geology.

Due to the large volumes of oil and gas output and the unique construction of the large-diameter pipelines, the designated ministries have established in the region their own production main administrations such as Glavtyumenneftegaz [Main Tyumen Administration for Oil and Gas], Glavtyumenneftegazstroy [Main Tyumen Administration for the Construction of Petroleum and Gas Enterprises], Glavtyumenpromstroy [Main Tyumen Administration for Industrial Construction], Gavtyumengeologiya [Main Tyumen Administration for Geology], Glavsibtruboprovodstroy [Main Siberian Pipeline Construction Administration] and others as well as all-Union industrial and production associations such as Tyumengazprom [Tyumen Gas Industry Administration], Tomskneft [Tomsk Petroleum Administration] and so forth. These bodies in their structure have administrations for production and technical servicing and supply of equipment, administrations for the supply of

equipment to construction projects, administrations for material-technical supply and administrations for production and technical equipment supply. These are large organizations concerned with supplying the oil and gas producing enterprises and construction organizations with the necessary resources and equipment according to the centrally planned product range of the state economic and social development plan and the products of the USSR Gosplan as well as for the internal ministry deliveries.

It must be emphasized that the functions of all the territorial intersectorial and sectorial supply management bodies as a whole coincide. All of them determine the demand for material resources, they allocate or supervise the allocation of stocks and their specific use, they assign consumers to suppliers or supervise this assigning, they carry out the allocations and deliver products to the consumption areas, they monitor the economic use of material resources and improve the organization of material-technical supply, accounting and reporting. But these functions in the various supply systems differ in terms of the number of consumers, the range of distributed product, the service area and so forth.

An analysis of the structural organization of the different-affiliated territorial supply bodies in the Western Siberian Oil and Gas Complex and their jobs has shown the complexity of the existing material support system for the complex, the departmental isolation of the sectorial supply and marketing organizations as well as the coinciding and duplication by them of the main functions of the intersectorial supply systems. And this is with the complete coinciding of jobs, that is, prompt, comprehensive, uninterrupted, rhythmical and complete material supply of the required resources to the projects of the complex on the established dates. The departmental isolation of the supply organizations has led to the accumulating of many different-affiliated organizations in the major centers of the Western Siberian Oil and Gas Complex. As a result in Tyumen, Nizhnevartovsk and Surgut alone there are over 100 departmental supply depots.

As a rule, these are located in certain areas, they are separated by fences and stretch for scores of kilometers. The departmental barriers significantly weaken the maneuvering of material resources and also worsen the use of warehousing area and materials handling equipment.

Each organization builds its own warehouses and access routes and brings in electric, heating and water supply. Capital investments for the construction of warehousing are dispersed. Not all the capital investments can be used and for this reason temporary structures often appear which although not meeting modern requirements are "their own." Each organization itself works out schemes for the delivery of products and carry out the deliveries, being guided primarily by the interests of their ministry and not the complex as a whole. This impedes the planning and organizing of material-technical supply for the Western Siberian Oil and Gas Complex for which the material resources are set apart in a separate line in the State Plan.

Unfortunately, the statewide system of material-technical supply has its own delivery enterprises only in Tyumen, Tomsk and Tobolsk. Up to 1990 they have planned for the creation of the material-production base of the USSR Gossnab

in the middle and northern zones of the complex. However, its growth rate will lag behind the growth rate of the delivery of production and technical products to these zones. Thus, considering the completion of all the planned transport enterprises in the eight zones of the oil and gas complex and the reconstruction of the existing ones by the end of the 12th Five-Year Plan, they will be able to handle only several percent of the total freight turnover in the region.

It must be emphasized that the existing system of material and technical supply was basically shaped during the years of the Ninth and Tenth Five-Year Plans, in a period of the rapid development of oil and gas output in the region. In our opinion, its present state is explained by the following factors.

During the preceding stage, the complex was developed in accord with important but isolated decisions, without the preliminary e aboration of a regional specific comprehensive program. Due to the fact that the pioneer capital investments and fixed resources (in accord with the existing procedure) were sent to the leading sectors and strict demands were placed on them for carrying out the state plan, the ministries and departments were forced themselves to take measures for the material supply of their own projects up to the point of building warehousing, roads, repaid facilities and so forth. For the same reasons they manufactured and delivered to the region by internal ministerial deliveries a broad range of materials and equipment which were sent to their depots.

From the very start of the development in the complex, no bodies were established for the intersectorial management of its development. As a result with the high achievements in the leading sectors, infrastructure projects (including warehousing) were established with a chronic delay and were a bottleneck in the complex. Here there was no intersectorial approach to establishing these, although precisely from joint infrastructure projects it would have been possible to obtain a great economic effect in the large territorial systems.

As was shown by an analysis, the supply organizations of the Ministry of Petroleum Industry, the Ministry of Gas Industry and the Ministry of Construction of Petroleum and Gas Industry Enterprises which handle over one-half of the total volume of the product sales in the region are the main owners of warehouse space (74 percent), materials handling equipment (55 percent of the total capacity and 71 percent of the total lifting capacity) and commodity stocks (76 percent of the actual available). The remainder belongs to some 150 supply and marketing organizations from different ministries and departments.

What are the economic consequences of such an approach to the organizing of material-technical supply in the Western Siberian Oil and Gas Complex?

Over the last decade, commodity inventories have increased more rapidly than the warehouse area the basic increase in which has come from open warehouses and awnings. Thus, the share of enclosed warehouse area has declined from three-quarters in 1970 to one-sixth in 1980. In the oblast there has been a

trend for the growth of warehouse area to lag behind the growth of the amount of stored product at this area. This conclusion is also confirmed by the indicator from the removal of product from 1 m² of warehouse area (calculated as the ratio of warehouse sales to warehouse area) and this is also 2- or 3-fold above the average republic and Union indicator.

The indicator of the load factor and output per worker of the supply system is also linked to the state of the oblast's commodity-forwarding network. Over the years of the Ninth and Tenth Five-Year Plans, the load factor (the ratio of the product sales volume to the average listed number of workers) has risen by 1.7-fold while output (the ratio of warehouse sales to the number of persons employed in supply-marketing activities) has gone up by 1.4-fold. However, they are approximately 1.5-fold less than for the nation as a whole, although average wages for supply workers in the region are higher than the average republic and Union indicators. Consequently, there is the important problem of increasing labor productivity for the workers of the supply and marketing organizations of the complex and this will become particularly acute under the conditions of a labor resource scarcity.

With a large number of organizations, more than one-half of them is small depots where the product sales volume does not exceed 10 million rubles. These depots employ almost one-fifth of all the supply workers, one-sixth of the warehousing area is concentrated here but they have only 7 percent of the sales volume for production and technical products. Labor productivity (according to wholesale sales) is 15-20-fold less than in the large organizations while the overhead level is 2-5-fold higher.

An analysis of the main technical and economic indicators for the operations of supply and marketing organizations from the departmental and statewide supply systems shows a higher effectiveness for the latter. In providing 16.9 percent of the wholesale product sales, the main territorial administrations of the USSR Gossnab maintain less than 5 percent of the average listed number of workers in the supply system of the complex, while in the departmental organizations these indicators are respectively 68.8 and 82.3 percent.

The level of overhead and warehouse surcharges in the bodies of the USSU Gossnab is 4-7-fold less than in the departmental organizations. Although the statewide supply system basically serves consumers in the southern zones of the complex and the departmental warehouse network the entire North, nevertheless the differences in their operating indicators are so substantial that one cannot doubt the higher effectiveness of the main territorial administrations.

The 2bth CPSU Congress pointed to the need of strengthening and improving the state supply system and increasing its responsibility for continuous supply of the national economy with raw products, materials and equipment as well as the economic and rational use of resources. It is essential to emphasize the importance of carrying out this task in establishing large regional intersectorial complexes. Precisely here the departmental barriers in the distribution sphere are probably the most important impediment in the development of the regions.

In our opinion, one of the main areas for improving the supply system in the TPK is to strengthen the territorial bodies of the USSR Gossnab and increase the concentration of their supply and marketing activities by eliminating the parallelism and duplication in the departmental supply bodies.

In our view it is essential to substantially increase the role and involvement of the USSR Gossnab in working out documents related to the material-technical supply of a TPK. In the scheme for forming this, there should be an independent section which determines as a whole and for the development stages of the complex the preliminary requirements for material resources and the consolidated delivery areas for them, a plan for the development of the physical plant of the supply system as a portion of the production infrastructure, the preliminary coordinating of these parameters with the specific characteristics of other projects, the capacity and carrying capacity of the transport arteries, the volumes of requires capital investments, labor and other resources for multipurpose use as well as the organization for managing the material and technical supply process. Upon assignment of the USSR Gossnab, the designated work could be carried out by its research and design institutes considering the data prepared by the institutes of the leading sectors.

In working out a general plan for a TPK, in the summary list of projects it is essential to indicate the major supply and marketing associations, enterprises involved in product deliveries, the depots for production and technological preassembly and so forth, indicating the specific ministries or departments which are financing their construction (functioning), in addition to the proportional participation of each of them. In the sectorial section of a general plan, the listed projects should be given coordinated in sectorial terms and in the territorial section in terms of coordination with the spatial placement of the industrial centers and considering the center-shared projects. The organizational section should make provision for the questions of managing material and technical supply.

In drawing up the main document of long-range planning, the programs for the formation and development of a TPK, all the specific indicators should be linked with the resources by elaborating measures indicating the executors and the dates and they should have address coordination and the directive nature of execution in full accord with the analogous sections of planning documents for the nation as a whole. In being an instrument for coordinating the intersectorial interterritorial and different-timed planning decisions, the program should determine the indicators of the complex which should be included in the basic directions of the nation's economic and social development for the forthcoming decade as well as quotas for the ministries and departments for the coming 5 years. Since the program envisages several versions for achieving the end goal of establishing the TPK, there is a real opportunity of taking a truly optimum decision.

For material-technical supply, the program should provide summary data on the demand for resources of the leading, infrastructure, related and contiguous sectors as well as for the complex as a whole in the individual stages of its development; there should also be variations for providing these resources with the choice of the optimum, considering their maximum savings and rational

utilization. The program must indicate the main capital construction projects for warehousing and the amount of construction-installation work, the demand for capital investments and other multipurpose resources as well as the technical and economic indicators for the development of the supply system and a calculation of economic effectiveness.

In all the listed documents, the USSR Gossnab should act as the main analyst for the questions of material-technical supply. Along with using data from the comprehensive program for scientific and tecnical progress, the general plan for the development and placement of the nation's productive forces, development plans for the sectors and regions, scientific research, design and normative materials from the corresponding sectorial institutes, plans for regional development of the administrative-territorial units, statistical, scientific and other information, the USSR Gossnab should utilize the studies of its own institutes on improving the system, structure and functioning of the bodies, the relationships of all the units of the state supply system, the locating of warehousing on the nation's territory, the methods of determining the demand for material resources and planning supply, the introduction of progressive forms for supplying consumers, the rendering of services and so forth.

Only in such a manner, in our opinion, is it possible to work out an overall concept for the long-range development of the material-technical supply system in a TPK in close correlation to its other elements. Here it is possible to give maximum consideration to the regional features of supply for the complexes being organized, increase the maneuverability of the material resources and thereby carry out the specific targets with a smaller amount of raw products, materials and equipment, ensure the optimum placement of the supply-marketing organizations considering the development prospects of the productive forces and transport, concentrate the capital investments in warehousing projects and provide their more rapid construction, utilize the most recent achievements of scientific and technical progress in employing warehouse and materials handling equipment for reducing the share of manual labor, to establish more rational ties for the delivery of production and technical products. It is important to make certain that in working out the specific designs and the feasibility studies for the construction of the projects, all the questions of material-technical supply be coordinated with the USSR Gossnab and the preplanning and program studies worked out by them keep within the appropriate sectorial and territorial sections.

After approval of a program for the formation and development of the TPK, its indicators serve as information in drawing up the main directions for the economic and social development of the USSR, and the quotas envisaged in the program are incorporated in the indicators of the ministries, departments, Union republics, oblasts (krays) where the projects of the complex are to be located.

At present, it is stipulated that after the selecting of the programs for incorporation in a certain long-range plan, the programs should be coordinated with the general economic, sectorial and territorial indicators while the calculations related to ensuring the resources for the programs should be

correlated with the system of planning balances compiled in the process of preparing the five-year plan.(1) As for material resources, they should be shown in the material balances and allocation plans.

The procedural instructions provide that all types of 5-year and annual material balances should incorporate the amount of resources for carrying out specific programs for the formation and development of the TPK through the ministries, departments and Union republic councils of ministers.

In addition to the listed balances, territorial balances are to be worked out for the production and distribution of major product types. This is done to improve the placement of the productive forces better territorial planning and rationalize the transportation and economic ties. The territorial balances which are worked out by the USSR Gosplan (in preparing the long-range and 5-year USSR economic and social development plans) together with the USSR Gossnab and the participation of the ministries, departments and Union republic councils of ministers, envisage the rational use of all types of material resources for the nation as a whole, for the Union republics, major economic regions and TPK.

Regardless that recently the basic approaches have been formulated to planning the formation and development of the TPK, the questions of compiling the material-technical supply plans have not been sufficiently examined. In the section "Planning Territorial-Production Complexes," the procedure for their material supply is not stipulated in detail.

We consider as important and timely the proposal from the Institute for the Economics and Organization of Production Planning Under the Siberian Division of the USSR Academy of Sciences to incorporate in the five-year plans of the complexes a separate section "Material-Technical and Financial Support." It must reflect the economic ties for the deliveries of production and technical products in relation to the financial support. The completion of capacity for projects of the supply system is taken up in the section of the plan "Capital Construction" along with other projects of the production infrastructure and equipment supply.

Due to the significant dependence of the functioning of the TPK upon the prompt material support for their projects, recently measures have been provided for increasing the reliability of supply for the most important projects. Thus, the Procedural Instructions for the Elaboration of the State USSR Economic and Social Development Plans state: "For supporting the specific programs for the development of the large TPK in the planned period as well as for solving individual national economic problems, the material and technical resources, in accord with the decision of the directive bodies, can, as an exception, be allocated to individual construction projects, enterprises

^{(1) &}quot;Metodicheskiye ukazaniya k razrabotke gosudarstvennykh planov ekonomicheskogo i sotsialnogo razvitiya SSSR" [Procedural Instructions for Elaborating State Plans for the Economic and Social Development of the USSR], Moscow, Ekonomika, 1980, p 45.

and organizations as part of the general allocations of the corresponding ministries and departments of the USSR and the Union republic councils of ministers."

Thus, in the directive documents a mechanism has been generally worked out to incorporate the demand for material resources of the TPK projects in the system of the 5-year and annual material balances and plans for the allocation of material resources during the stage of allocating the stocks. In the following stages for compiling the annual supply plan, there is a procedure which is uniform for all suppliers and consumers of production and technical products. For precisely this reason the management of the material resources allocated to the TPK projects through various channels and various supplymarketing bodies is one of the most difficult and unsolved problems.

However, its solution depends not only upon the material and technical supply system. In our opinion, we must have a legal status for the TPK and they must be turned into an object of specific program management. It is essential to work out an economic mechanism whereby the planning, financing, material-technical supply and management would "link" the projects of the complex into a truly single whole and increase the possibility of maneuvering and redistributing all types of resources within it by improving the relationships between the individual elements.

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